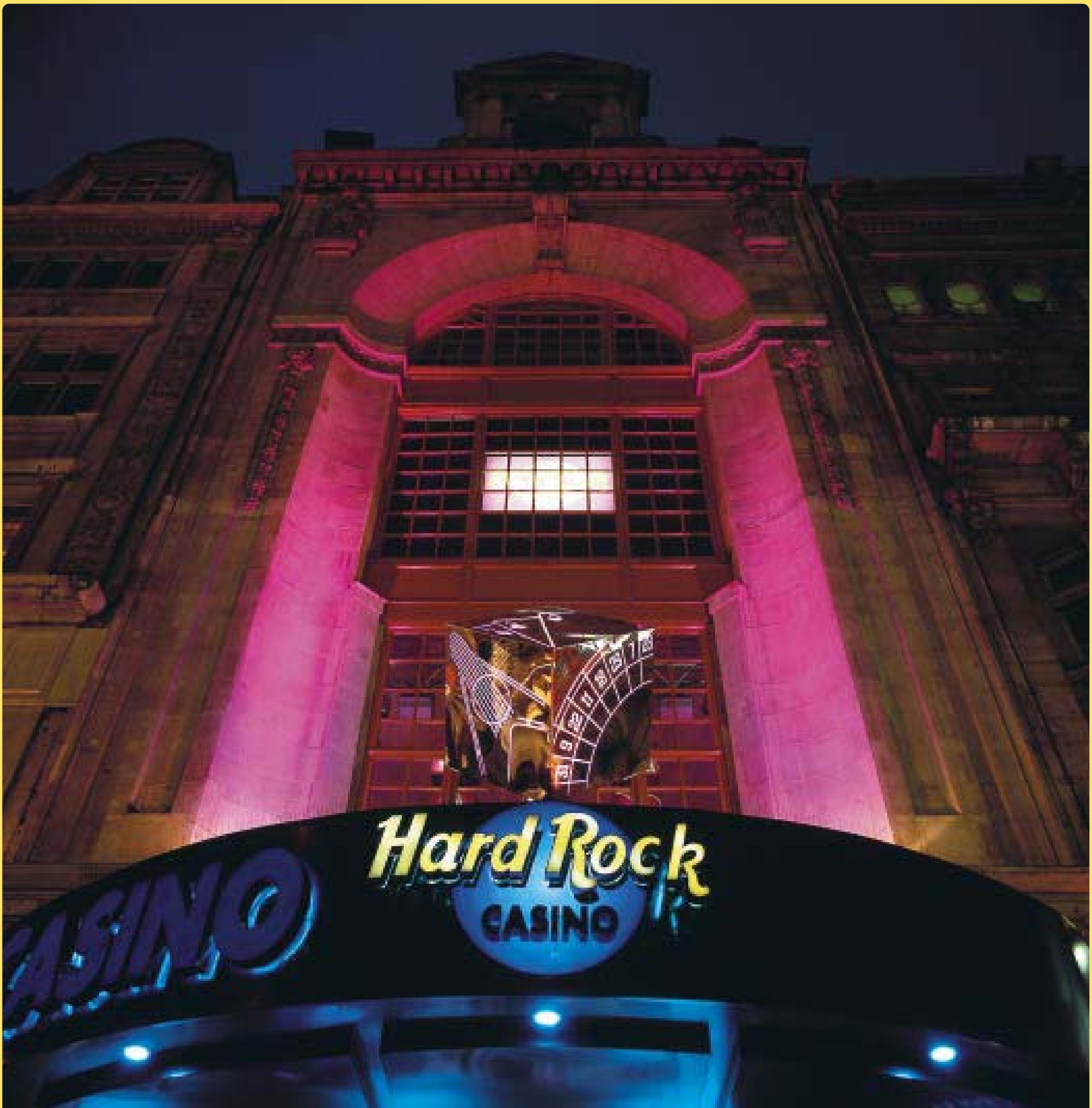


A WINNING HAND…

Rank Group

Annual Report & Accounts 2002

CONTENTS

FINANCIAL HIGHLIGHTS

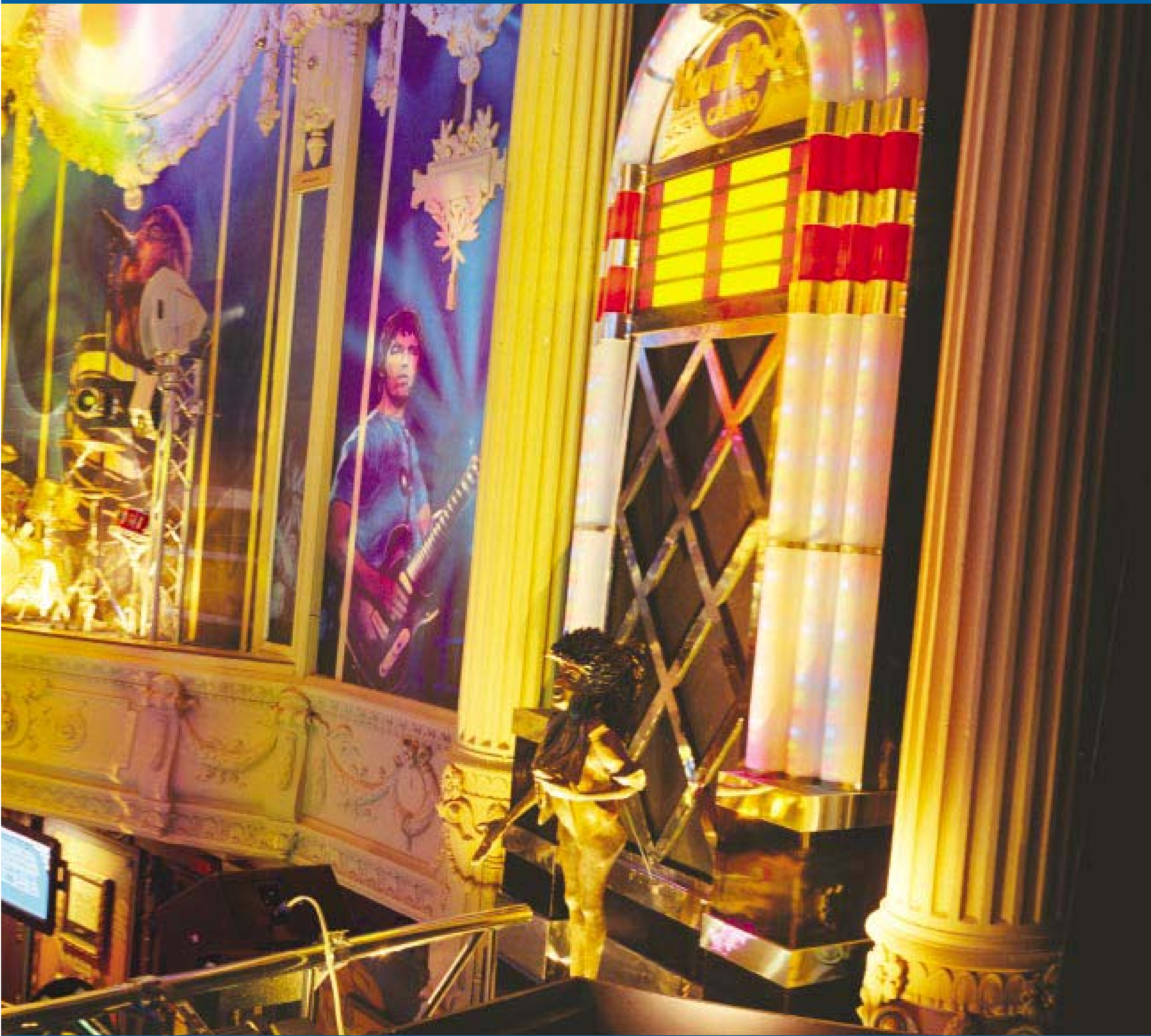
- Earnings per share before exceptionals up 21% to 19.9p
- Profit before tax and exceptionals of £200.3m (2001 – £188.1m); £198.0m after exceptionals (2001 – £160.5m)
- Gaming* turnover up 8% to £472.1m and operating profit up 13% to £109.8m
- Hard Rock operating profit of £27.6m (2001 – £38.0m), reflecting difficult trading conditions
- Deluxe operating profit before exceptionals up 20% to £89.0m; Ritek acquisition integrated successfully
- Final dividend up 5% to 8.8p (2001 – 8.4p) making a total for the year of 13.2p (2001 – 12.6p)
- Net debt of £399.1m (2001 – £248.1m); fixed charge cover up to 5.0 times
- Acquisition of Blue Square provides the Group with the full suite of gaming and betting products ahead of deregulation

*excluding Rank Interactive Gaming

HARD ROCK CASINOS ARE A NEW CONCEPT FROM GROSVENOR CASINOS – RUN AND MANAGED BY GROSVENOR STAFF AND BRANDED HARD ROCK, THEY ARE DESIGNED TO APPEAL TO A YOUNGER AUDIENCE.
THE FIRST HARD ROCK CASINO OPENED IN MANCHESTER IN JULY 2002 FOLLOWED BY ONE IN LONDON IN NOVEMBER 2002

- The London Hard Rock Casino is just off Leicester Square in a listed building. Many of the period features were retained and have been complemented by the historic music memorabilia which adorns the walls and ceiling
- Specific to the Hard Rock casinos are large plasma screens continuously showing an excellent collection of music videos
- Recent legislation permitting live entertainment in casinos will allow the use of the venue's stage where bands can perform live
- A variety of fashionable merchandise is available from Hard Rock casinos

- Recent liberalisation of regulations has allowed alcohol on the gaming floor – waitresses serve drinks so that the customers can continue to play
- Electronic Roulette is very popular with customers and has been installed across the entire Grosvenor Casino estate
- Hard Rock casinos feature the same games as other Grosvenor casinos – black jack, roulette and stud poker
- Progressive Stud Poker was introduced in September 2002 and Grosvenor was the first operator to link across its UK casinos



OVER 30,000 MEMBERS HAVE JOINED THE TWO HARD ROCK CASINOS SINCE OPENING

A TOTAL OF OVER 6,000 CUSTOMERS EACH WEEK

A HIGH PROPORTION OF YOUNG PLAYERS AGED 18-34

EXCELLENT LOCATIONS WHICH SHOULD BENEFIT FROM DEREGULATION

THREE MAJOR DIVISIONS, MARKET LEADING POSITIONS

OTHER OPERATIONS

US Holidays
US Holidays comprises timeshare operations, campgrounds and a hotel.

Universal Studios – Hotels
Rank has a 25% equity interest in three hotels at Universal Studios Escape, Orlando, Florida – Portofino Bay Hotel, Hard Rock Hotel and Royal Pacific Resort Hotel.

Universal Studios – Japan
Rank has a 10% equity interest. Theme park opened 2001.

GAMING

TURNOVER	**£474.5M**
OPERATING PROFIT*	**£104.8M**

*Including Interactive Gaming

GAMING OPERATIONS

Mecca Bingo
123 clubs in the UK and 9 in Spain

Grosvenor Casinos
5 in London, 27 UK provincial and 2 in Belgium

Hard Rock Casinos
2 Hard Rock Casinos in London and Manchester

Rank Interactive Gaming and Sports Betting
www.rank.com, www.bluesq.com and www.hardrockcasino.com

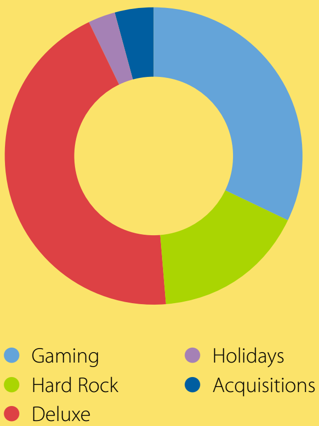
Rank Leisure Machine Services
Operates 35,000 amusement machines in UK leisure venues

Stafferton Way, Maidenhead, Berks SL6 1AY Tel: 01628 504000

www.meccabingo.com
www.grosvenor-casinos.co.uk
www.rank.com
www.bluesq.com
www.hardrockcasino.com
www.gamblingreview.co.uk

BUSINESS STRUCTURE

Turnover by division %



HARD ROCK

TURNOVER £242.7M

OPERATING PROFIT £27.6M

HARD ROCK OPERATIONS

Hard Rock Cafes

61 company-owned, 48 franchised in a total of 38 countries

Hard Rock Hotels and Casinos

Joint venture hotel in Orlando, while Bali and Thailand operate under licence. Two resort casinos and hotels under development on Indian reservation land in Florida, each operating under licence

Hard Rock Live

Concert venues in Orlando, Mexico City, Bali and Guadalajara

Merchandise

Variety of branded merchandise available at all Hard Rock locations and via the website, www.hardrock.com

6100 Old Park Lane, Orlando, Florida 32835, US
Tel: 001 407 445 7625

www.hardrock.com

DELUXE

TURNOVER £704.2M

OPERATING PROFIT £89.0M

DELUXE OPERATIONS

Deluxe Film Processing

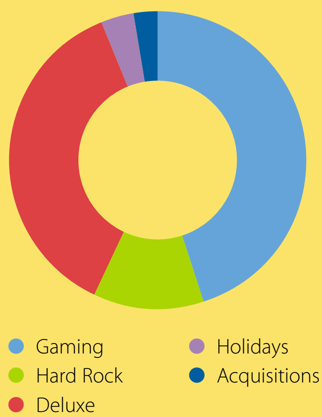
Laboratories in Canada, US, UK, Spain, Italy and Australia
1377 North Serrano Avenue, Hollywood, CA 90027, US
Tel: 001 323 462 6171

Deluxe Media Services

Video duplication in US and Europe
DVD replication in US and Europe
Distribution and supply chain services in US and Europe
Digital services business in California
555 Heuhl Road, Northbrook, IL 60062, US
Tel: 001 847 291 1150

www.bydeluxe.com

Operating profit by division %



CHAIRMAN'S STATEMENT Alun Cathcart

I AM DELIGHTED THAT THE GROUP'S PERFORMANCE IN 2002 HAS CONTINUED TO DEMONSTRATE THE STRENGTH OF OUR BUSINESS STRATEGY AND RANK'S EXECUTIVE MANAGEMENT TEAM BY DELIVERING A FURTHER INCREASE IN BOTH EARNINGS AND DIVIDENDS FOR SHAREHOLDERS

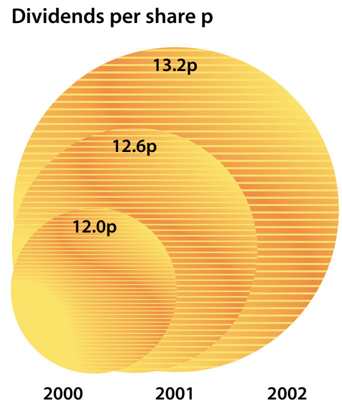
Going forward, the Group's ability to continue to deliver consistent growth in shareholder value will be heavily influenced by the presence of a number of key attributes. First and foremost is a committed executive management team with the necessary skills and experience to communicate and deliver a cohesive business strategy. This team has successfully transformed the business over the last three years into one of Europe's leading leisure groups. This transformation has been driven by strong operational management who have themselves embraced a programme of change and development.

Second, continuous training and development of employees is particularly important for businesses operating in competitive markets, and where constant innovation is required to maintain market position and increase levels of profitability. The Group prides itself on ensuring that its employees are fully equipped to learn and develop new working practices, and provide customers with the best possible leisure experience. While each of the Group's divisions operates in different markets, they share a common philosophy that having the best people delivers the best results and each continues to invest in a regular programme of training and development for all its employees.

Third, being able to recruit and then retain the best people is also a critical factor behind the Group's success and is a reflection of the various incentive schemes that are now in place across all of the Group's operations. At senior levels, each scheme seeks to align the interests of management with those of shareholders, thereby ensuring that personal achievements are rewarded, but always in the context of the Group's overall performance.

While the economic uncertainty continues to affect the immediate outlook for many international companies, I believe that the Rank Group has both the necessary management and business structure to continue to prosper and I look forward to the coming year with confidence.


21%
increase in earnings per share
34
casinos in the UK
5
billion feet of film processed by Deluxe in 2002
38
countries have Hard Rock operations
23
million visits to Mecca Bingo clubs
23%
increase in Grosvenor Casinos operating profit
8%
increase in visits by 18-34 year olds to Mecca in 2002
90
million pounds of annualised stakes at Rank Interactive Gaming
13.2
pence dividend per share, up 5% on last year
15
thousand members at each of the two new Hard Rock casinos
69
million DVDs produced by Deluxe in 2002
4%
increase in number of members at Mecca Bingo clubs
75
thousand registered members with Rank Interactive Gaming
25
million pounds staked with Blue Square in December 2002
1
Rank is the first UK group to offer bingo, casinos and sports betting to its customers



CHIEF EXECUTIVE'S REVIEW Mike Smith

2002 WAS ANOTHER GOOD YEAR FOR THE RANK GROUP. OUR ALL ROUND STRENGTH AND SPREAD OF ACTIVITIES ENABLED US TO CONTINUE TO MOVE PROFITS FORWARD AND INCREASE EARNINGS PER SHARE, BEFORE EXCEPTIONAL ITEMS, BY 21% (65% AFTER EXCEPTIONAL ITEMS)

This growth was achieved despite the impact of continued difficult trading conditions for Hard Rock. We also absorbed considerable pre-opening and launch costs associated with the opening of new facilities across the Group, all of which will contribute to driving future growth.

Just as importantly, whilst continuing to improve earnings, we have continued our development activities within existing markets as well as extending our operations into new but related markets, thereby enhancing prospects for the longer term.

Gaming

The Gaming division continued its now well-established trend of double digit profit improvement with a further gain of 13% in the year (excluding Rank Interactive Gaming). Grosvenor Casinos enjoyed strong turnover and profit growth despite the absorption of launch costs for the two Hard Rock casinos and the relocation of the casino in Brighton. In Mecca Bingo, we deliberately cut back advertising and promotional expenditure in the second half so that, overall, turnover growth was modest but trading margin was strong, supported by the continued success of cashline bingo.

Rank Interactive Gaming, whilst loss-making in its first full year of operation, launched hardrockcasino.com in July and bore the costs of considerable new product development. The annualised running rate of stakes placed at year-end was £90m, which represented a high rate of growth over the period. The integration of the recently acquired Blue Square betting business will add further opportunities for growth this year.

Hard Rock

As we had expected, Hard Rock had a difficult year. Whilst like for like food and beverage sales were a little ahead of 2001, merchandise sales continued to suffer from a lack of tourist traffic. This severely reduced profits in the major cafe locations, particularly those located in tourist destinations. We also absorbed pre-opening costs associated with new cafe openings, mainly in non-tourist locations. Trading performance during the final quarter of 2002 was more encouraging, albeit against relatively weak comparative figures for 2001.

We have regularly reviewed our overheads and operating costs in Hard Rock. Given the continued uncertain trading environment, we plan to take further action to reduce costs in the first half of 2003.

Deluxe

Deluxe had an exceptionally good year. Film processing was outstanding with an 8% growth in turnover and 16% growth in profit before exceptional items. The strong performance in 2002 was assisted by the full year impact of the new laboratory in Rome and efficiencies from the relocated Toronto laboratory. Media Services also had a good year overall and in particular benefited from the DVD venture with Ritek, established in August 2002.

Developments

In Mecca Bingo, the relocation of the Croydon club was completed in November 2002 and there are plans for a further two relocations in 2003. A new club will also be opened during 2003 in West Bromwich. In Spain, we acquired three new clubs during 2002 and continue to look for further opportunities in this large and fragmented market.

Within Grosvenor Casinos, over the last few years we have relocated a total of seven casinos and plans are in place for a further three relocations in 2003. Grosvenor's performance in 2002 is a clear demonstration that improving the quality of our facilities, combined with gradual deregulation, is a potent mixture for growth. The two new Hard Rock casinos in the UK offer a greater entertainment

THE ACES IN OUR PACK…

content and are attracting new customers to enjoy a different casino experience. The rate of growth in club membership and attendance at these two exciting new concepts is one of the fastest ever achieved in the UK for new "cold" licence openings – over 15,000 members each and combined attendance of over 6,000 per week.

The recent acquisition of Blue Square brings both sports betting expertise and a substantial customer base to the Group. The integration of Blue Square with Rank's existing online gaming operations will generate immediate synergy benefits and provide considerable opportunities for cross-marketing in both the short and longer term.

Within Hard Rock, there were a number of developments which will add to future prospects and continue to move the brand beyond pure restaurant operations. During 2002, six new company-owned cafes were opened taking the total to 61 and two were relocated, most being designed for local markets with lower dependence on tourism. A new franchise was added in Tokyo, taking the total number of franchised cafes around the world to 48. The Hard Rock hotel in Orlando traded strongly and the Chicago hotel is expected to open at the end of the year. A Hard Rock beach club adjacent to a newly built water park on Choctaw Indian Reservation land will open during this year. The gaming and hotel developments on Seminole Indian Nation Reservation land in Florida are in-build and are expected to open, at least partially, by the year-end.

In Deluxe Film, we finalised the commissioning of the new laboratory in Toronto, entered into a joint venture with Atlab in Australia and more recently purchased Image, a laboratory based in Barcelona, Spain. All of these developments strengthen our position in film processing. The acquisition of Capital FX towards the end of 2002 has extended further the range of services now offered to studio customers. We also bought the outstanding 50% which we did not own of ETS, a physical film distribution business, and subsequently added a major new customer on a long term contract.

In Deluxe Media, the major change was the creation of the new venture with Ritek which propelled Deluxe into a strong position in DVD to match that already achieved in VHS and distribution. We also established new ventures in the digital storage and manipulation of film-related product.

Financing

The Group's operating profile remains cash positive. However, during 2002 we chose to extend a number of our existing Deluxe contracts, so securing valuable cashflows and increasing the earnings visibility for that business. Approximately 63% of our film contracts based on 2002 volume are now extended until 2006 or beyond. In line with industry practice, the contract extensions or renewals did involve considerable upfront payments which are recoverable over the life of the contracts. These payments were the main reason why the Group's net debt rose by £151m in the year. However, with fixed charge cover at five times and gearing of 53%, the Group's finances remain in excellent health. We are recommending an increased dividend payment to our shareholders with the final dividend up 5% to 8.8p (2001 – 8.4p) making a total for the year of 13.2p (2001 – 12.6p).

Outlook

The Rank Group is in a strong position in all of its major markets and is well-invested for future growth. Our finances are robust and we are in an enviable financial position with the flexibility to seize development opportunities as and when they might arise.

The UK regulatory regime in gaming has become increasingly positive. Later opening of casinos plus additional games, more automated product, and alcohol on the gaming floor, have all added to a more customer friendly environment. There remains a strong likelihood that much more is to come in the next two years as we still expect the Budd recommendations to be enacted on schedule. There is also the prospect of positive duty changes during this period.

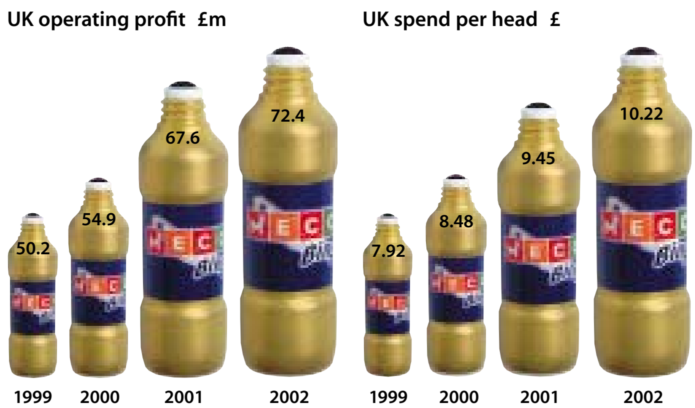
Despite uncertain political and economic conditions, current trading is satisfactory and we are confident that the Group can make further progress in 2003.

MECCA BINGO CONTINUES TO ENHANCE ITS ESTATE, CAPITALISE ON THE EFFECTS OF DEREGULATION AND INVEST IN NEW GAMES

GAMING – MECCA BINGO

Above left
Mecca Bingo continues to invest in its estate – the relocated Croydon club opened in November 2002

Above right
Mecca has benefited from early deregulation and is now allowed up to four jackpot machines per bingo club



Turnover £250.3m Operating Profit £77.0m

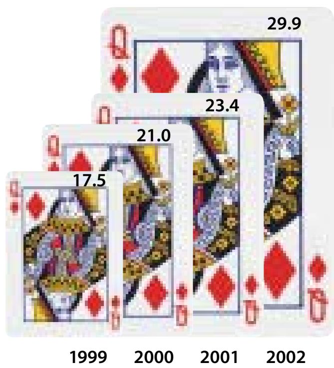
- Mecca is one of the UK's leading bingo businesses and during 2002 grew its membership by 4% to 1.1m, 45% of whom are under 45 years old
- The small reduction in total admissions during 2002 was more than compensated for by the increase in spend per head which has risen by 8% to £10.22
- As a result, Mecca Bingo has managed to increase its profit margin by a further 1% to 31%
- Mecca has already installed a total of 210 new jackpot machines across its estate and the full target of 350 machines will be installed by mid-2003
- The UK government has indicated that it is keen to introduce a gross profits tax to replace the current regime of taxing bingo customer stakes – a shift which, if the rate of gross profits tax is in line with other gaming activities, Mecca believes will be positive for the industry
- In Spain, Mecca Bingo now has nine clubs following the addition of three clubs in Madrid, Barcelona and Seville

GAMING – GROSVENOR CASINOS

Above left
Grosvenor has installed Electronic Roulette machines across its estate to meet customer demand

Above right
Progressive Stud Poker was launched in September 2002

UK operating profit £m



UK attendance '000 people

THE POPULARITY OF ELECTRONIC ROULETTE TOGETHER WITH RELOCATIONS AND REFURBISHMENTS HAVE INCREASED ATTENDANCE AND SPEND PER HEAD TO RECORD LEVELS

Turnover £171.8m   Operating Profit £29.7m

- The relocation of seven casinos over the last few years has helped to grow both admissions and revenues across the estate during 2002
- This modest investment has yielded substantial returns and a further three casinos will be relocated in 2003
- The relaxation of a number of licence restrictions has meant that Grosvenor casinos are now allowed alcohol and live entertainment on the gaming floor
- Several new games have been introduced into Grosvenor casinos including Sic-bo, Big Six (Wheel of Fortune) and Three Card Stud Poker
- The introduction of Progressive Stud Poker has been extremely popular and Grosvenor was the first casino operator in the UK to link the game across its estate
- Two Hard Rock casinos were opened in the UK during 2002, one in Manchester and one in London, targeting a younger, lower spending customer than the traditional casino offer
- Grosvenor now has over 400 Electronic Roulette positions across its estate with plans for a further 50 positions by the end of April 2003
- Rank Leisure Machine Services operates some 35,000 amusement machines in UK leisure venues

THE GROUP CAN NOW OFFER THE FULL SUITE OF GAMING PRODUCTS ONLINE TO ALL ITS CUSTOMERS

GAMING – INTERACTIVE

Above left
Blue Square is one of the UK's leading sports betting brands

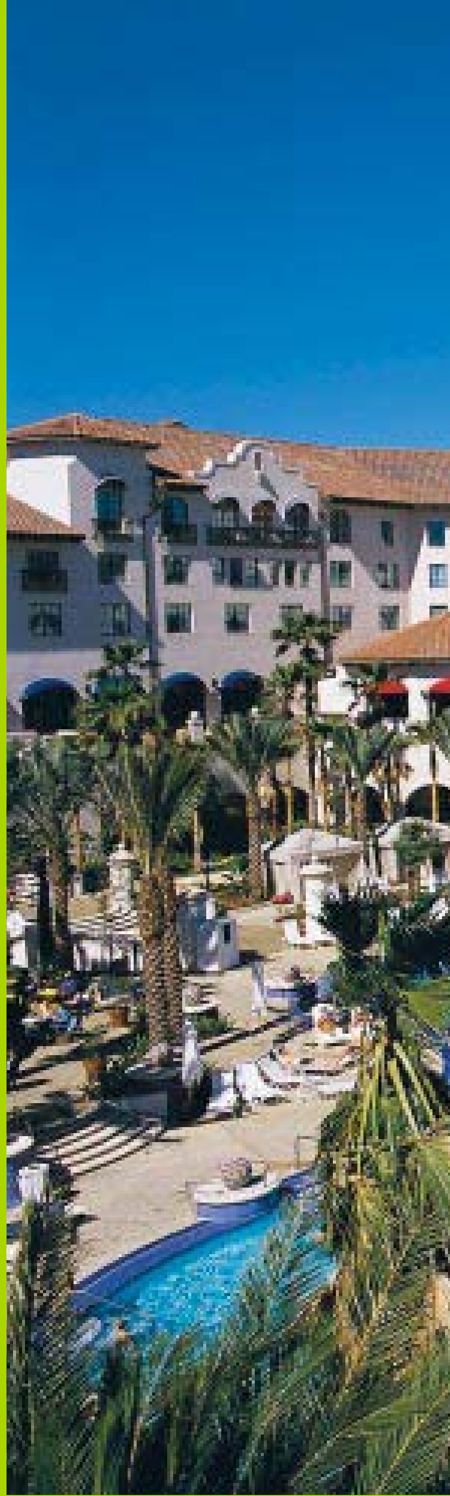
Above right
Fruit Frenzy II is one of the 18 games available at www.rank.com

*combined total for rank.com and hardrockcasino.com

Turnover £2.4m* Operating Loss £5.0m

- Following the launch of hardrockcasino.com in July 2002, the Group's two gaming sites are now generating annualised stakes of approximately £90m
- Having acquired Blue Square in January 2003, the Group has three online gaming brands: rank.com, hardrockcasino.com and bluesq.com
- Rank is the only mainstream gaming company able to offer a full suite of gaming products: betting, bingo and casino games
- The integration of Blue Square and Rank's existing online activities has created a substantial business with annualised stakes of approximately £400m based on current levels of business
- The excellent fit with Rank's existing online gaming activities provides an immediate and substantial opportunity to cross-sell products to Rank's existing 1.8m registered customers and Blue Square's 300,000 customers
- Post-deregulation, there should be a major opportunity to leverage Rank's gaming activities through the creation of multi-gaming locations

*Gross win



HARD ROCK

Above left
Attracting more local customers has proved successful during 2002 – Hard Rock Cafe, Manchester

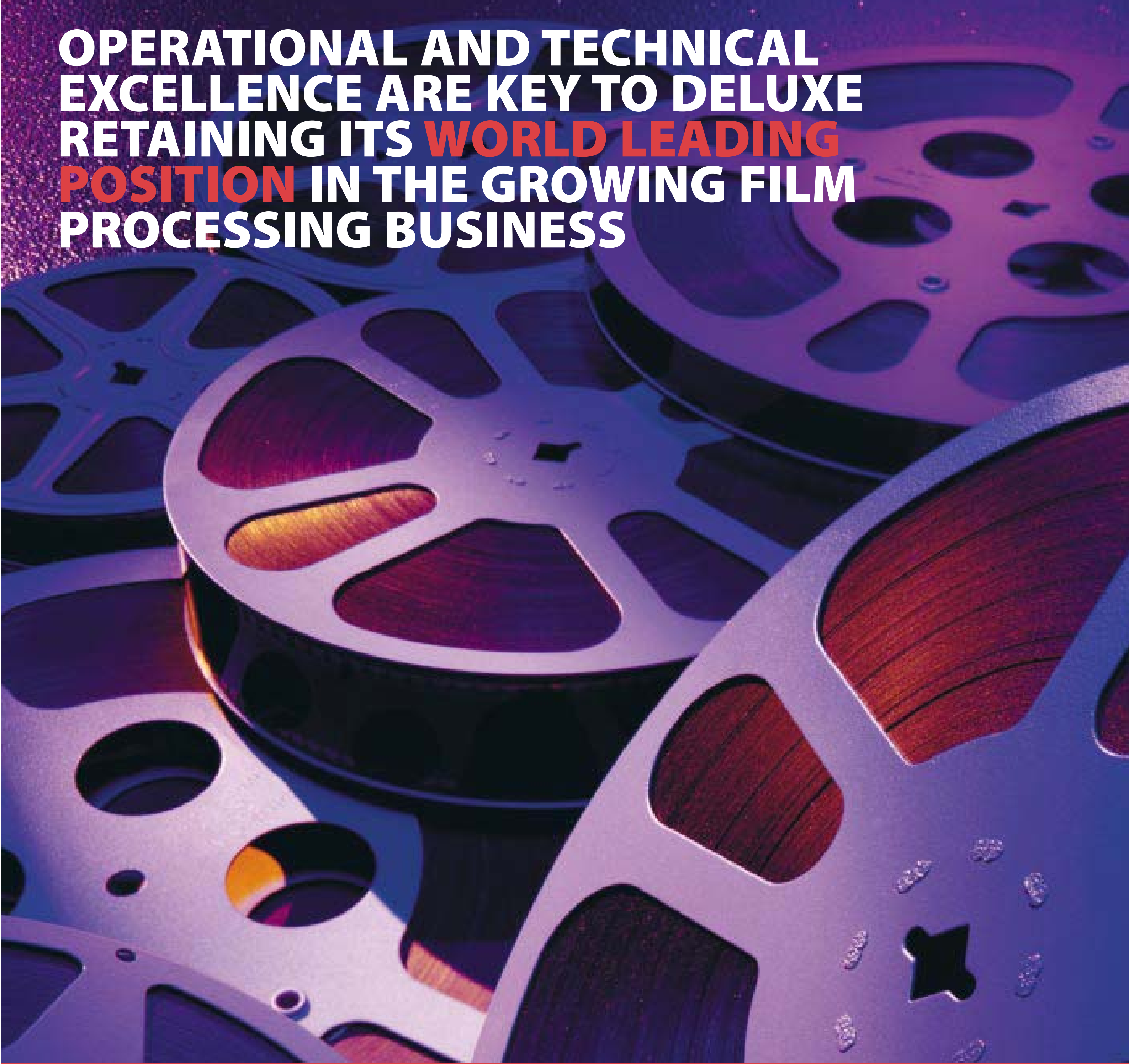
Above right
The Hard Rock Hotel in Orlando is extremely popular and other hotel opportunities are being sought

OUR ABILITY TO GENERATE ADDITIONAL REVENUE SOURCES FROM RELATED ACTIVITIES AROUND ONE OF THE WORLD'S STRONGEST BRAND NAMES WILL BE KEY TO FUTURE GROWTH

Turnover £242.7m   Operating Profit £27.6m

- Hard Rock is one of the world's leading leisure brands with 61 owned and 48 franchised cafes throughout the world
- Extending the brand through licensing into other leisure activities including hotels and casinos remains a core strategy
- The Hard Rock Hotel in Orlando is extremely popular with very high occupancy levels and has led the way for another hotel in Chicago which is scheduled to open at the end of 2003
- The Seminole Indian Nation hotel/casino developments in Tampa and Hollywood Florida are progressing well and on-track to fully open in spring 2004
- While low levels of tourism have impacted performance in 2002, the planned expansion of European cafes has continued in non-tourist locations with cafes opening in Munich, Nottingham and Leeds
- In the US, new cafes opened in Austin, Pittsburgh and Minneapolis

OPERATIONAL AND TECHNICAL EXCELLENCE ARE KEY TO DELUXE RETAINING ITS WORLD LEADING POSITION IN THE GROWING FILM PROCESSING BUSINESS

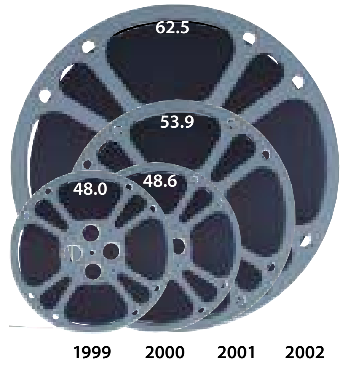


DELUXE – FILM PROCESSING

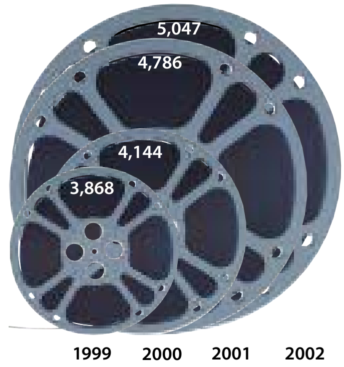
Above left
Deluxe processed a record amount of film in 2002 – 4.7 billion feet

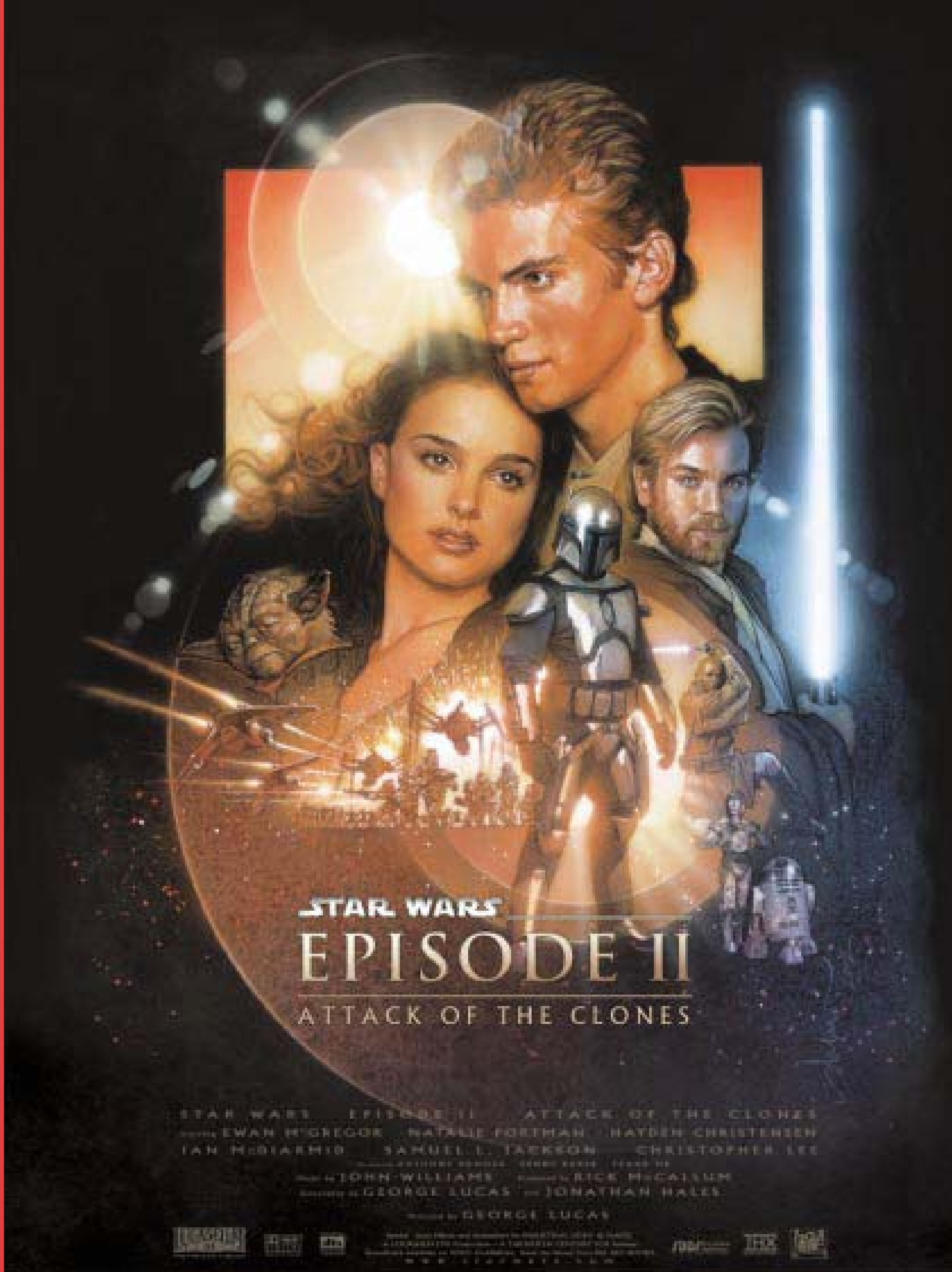
Above right
Processed by Deluxe, Star Wars Episode II – Attack of the Clones was one of the major blockbuster films released during 2002

Operating profit £m



Average release prints per title





Turnover £367.5m Operating Profit £62.5m

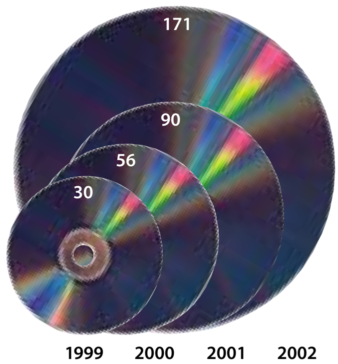
- After renewing customer contracts in 2002, Deluxe Film is in its strongest ever contractual position
- The length of films and number of prints required increases year on year – the state-of-the-art laboratories in Toronto and Rome have enabled Deluxe to process this ever increasing footage to the high standards required by their customers
- Many of the most popular film titles – Spider-Man – Star Wars Episode II – Attack of the Clones – James Bond's Die Another Day – were each processed and delivered to cinemas by Deluxe, providing millions of people with hours of quality entertainment
- Through its investment in EFILM, Deluxe can now offer its studio customers a specialist service which digitally enhances the film "masters"
- Deluxe Film has expanded its geographic reach through a joint venture with Atlab, the largest film processing business in Australasia, and the acquisition of Image in Spain
- The acquisition of the remaining 50% of ETS, not already owned by the Group, will strengthen Deluxe's position in the physical distribution of release prints

DELUXE – MEDIA SERVICES

Above left
Deluxe offers a wide variety of front and back-end digital solutions and services, ranging from digital mastering and asset management to distribution

Above right
Deluxe Media Services produced 69m DVDs in 2002 compared to 6m in 2001

Number of DVD distributed (millions of units)



DVD replication capacity (millions of units)

OUR 80% OWNED VENTURE WITH RITEK HAS MADE DELUXE THE FOURTH LARGEST DVD PRODUCER IN THE WORLD

Turnover £336.7m   Operating Profit £26.5m

- Following the venture with Ritek, Deluxe's DVD production has gone up from 6m in 2001 to 69m in 2002 and capacity has gone up from 20m to 175m
- With the backup and support of Ritek's Taiwanese operations, Deluxe is in a very strong position to bid for new large contracts
- DVD is growing at a much faster rate than video production is declining
- Deluxe Media Services can offer a complete supply chain solution to its customers including authoring, replication, packaging and distribution
- In distribution, during 2002 Deluxe shipped a total of over 440m DVD and VHS units to more than 70 countries
- Technological advancements have enabled Deluxe Media Services to provide its customers with digital storage, retrieval and delivery of films and TV material

EMPLOYEES

Top left:
Mecca Bingo

Top right:
Grosvenor Casinos

Bottom left:
Hard Rock Cafe

Bottom right:
Deluxe DVD production

Employees

While overall responsibility for human resources is maintained at the Group's head office in London, the diversity of both geography and business activity necessitates that each business has day-to-day responsibility for looking after its own people. However, a number of core themes emerge within each division, reflecting the Group's philosophy regarding recruitment and selection, diversity, productivity, training and development and retention. Some examples can be found by reviewing each division's activity during 2002.

Gaming

The need to remain at the forefront of what is becoming an increasingly competitive gaming environment requires regular and comprehensive training and development for employees on both existing and new gaming products. The division's ability to both innovate new games and products such as Progressive Stud Poker in its casinos and electronic bingo in Mecca Bingo, and then roll them out across the gaming estate in a time effective manner is a key factor behind the division's continued success. As a result, a training system that was pioneered within Mecca Bingo is now being implemented across Grosvenor Casinos. This system ensures that all employees have access to the latest training updates and can undergo training when it suits them and at their own pace. The result is a consistent delivery of high quality service and professionalism to all the division's gaming customers.

Similarly, in RLMS, the division's amusement machine business, as new gaming products have been launched, the service operations provided to business customers have focused on the training of front line staff. To support the new games and associated technology, 24 hour service support has been provided, to ensure that clients are able to offer these new products to their customers whatever the time of day or night.

Hard Rock

The Hard Rock brand is synonymous with great fun, great food and great music. This is just as true for the division's employees as it is for their customers. Despite the difficult trading conditions experienced during 2002, the division's employees have continued to "serve all" and what's more, do it in true Hard Rock style – with a smile on their face! Hard Rock is able to attract and retain the best employees because Hard Rock is a fun place to be, whether you are there to work or play. Let's face it, there aren't many jobs where you can wear blue jeans, tattoos and body-piercings, all while listening to great Rock 'n' Roll all day! But, being a leading "employer-of-choice" comes not just from creating a great work environment, it also relies on industry-leading training materials, benefit offerings and competitive salaries.

The division's Human Resources and Operations activities have never been closer business partners. Dubbed "The Year of the Product", during 2002 continued training and development across all aspects of the core restaurant business have focused on Hard Rock's key selling points: Menu, Merchandise, Music, Memorabilia and Memories.

Deluxe

Two of the highlights during 2002 were the acquisitions of Vision Entertainment and the Ritek DVD business, which together put Deluxe firmly into the top tier of the entertainment media industry. The smooth integration of both businesses is a testament to the HR team, placing new talent into the Deluxe culture, transitioning and reorganising functions, and educating and orientating new employees on the division's training programmes and policies.

Training and employee development remains one of the division's critical success factors. Development opportunities include the Leadership Programme, Team Lead Mentoring, Employee Safety, and Customer Focus Training. Steps to further improve internal communication were fostered in the shape of more two-way dialogue with open forum meetings such as Off the Cuff/Roundtable Meetings, Benefit Focus Groups, Benefit Fairs, All Hands Meetings, and monthly KPI (Key Performance Indicator) Meetings.

As a major international leisure business, employing staff that share a similar passion for excellent service, and above all fun, requires careful management and investment. The Group's success to date demonstrates that its strategy of continuing to invest in its people is one that is paying real dividends and as such can be expected to continue.

Health and safety

The Group undertakes an annual assessment of the health and safety risks facing its divisions. Senior management in each division specifically considers health and safety issues as part of this exercise. Actions that may be required to improve the control of health and safety risks are identified and then actioned.

To ensure that the divisions continue to address health and safety issues, an external audit of safety management systems across the Group was undertaken in 2002. The results of the audit have been used to direct actions at Group and divisional level to improve current practice.

The board takes an active role in monitoring safety performance, assisted by risk management groups in Europe and in North America responsible for the co-ordination of health and safety standards across the Group. The activities of these groups are already promoting the sharing of good practice and the development of a strong network of safety professionals across the divisions.

THE GROUP HAS OVER 20,000 EMPLOYEES IN OVER 11 COUNTRIES AND MANAGING THIS KEY RESOURCE IS CRITICAL NOT ONLY TO THE CONTINUED SUCCESS OF EACH OF ITS COMPONENT BUSINESSES, BUT ALSO THAT OF THE GROUP AS A WHOLE

BOARD OF DIRECTORS

The board

Alun Cathcart Non-executive Chairman
Joined Rank as Chairman on 1 May 2001. Aged 59. Chairman of Selfridges Plc, Deputy Chairman of Avis Europe Plc and Deputy Chairman of Belron International Limited.

Mike Smith Chief Executive
Appointed Chief Executive in April 1999. Aged 56. Formerly a director of Hilton Group PLC.

Ian Dyson Finance Director
Appointed Finance Director in September 1999. Aged 40. Formerly Group Financial Controller of Hilton Group PLC and previously a partner of Arthur Andersen.

Peter Jarvis, CBE Non-executive director
An independent non-executive director since 1995. Aged 61. Chairman of Debenhams PLC. Formerly Chief Executive of Whitbread PLC.

Oliver Stocken Non-executive director
An independent non-executive director since 1998. Aged 61. Deputy Chairman of 3i Group plc, non-executive Chairman of Rutland Trust PLC and Stanhope plc and a non-executive director of GUS PLC, Novar plc and Pilkington plc. Formerly Finance Director of Barclays Bank PLC.

John Sunderland Non-executive director
An independent non-executive director since 1998. Aged 57. Chief Executive Officer of Cadbury Schweppes plc.

Charles Cormick Company Secretary

Executive committee

Mike Smith
Ian Dyson

David Boden
Appointed Managing Director of Gaming in January 1998 and to the Executive committee in January 1999. Formerly Managing Director of Grosvenor Casinos. Joined Rank in 1977. Director of The National Bingo Game Association Limited. Aged 46.

Charles Cormick
Joined Rank as Company Secretary in 1995. A solicitor, and formerly Company Secretary of Lex Service PLC. Aged 51.

Cyril Drabinsky
Appointed to the Executive committee in September 2001 as President, Deluxe Film Worldwide. Formerly President, Deluxe Laboratories Inc. Joined Rank in 1987. Aged 45. Based in Toronto, Ontario.

Peter Pacitti
Appointed to the Executive committee in September 2001 as President, Deluxe Media Services Worldwide. Formerly Managing Director, Deluxe Video Services Europe. Joined Rank in 1981. Aged 45. Based in Chicago, Illinois.

Christine Ray
Appointed to the Executive committee as Group Human Resources Director in February 2001. Formerly Human Resources Director of Rank's Holidays Division, having joined Rank following the acquisition of Mecca Leisure in 1990. Aged 55.

Audit committee

Oliver Stocken – Chairman
Alun Cathcart
Peter Jarvis
John Sunderland

Finance committee

Alun Cathcart – Chairman
Ian Dyson
Mike Smith

Nomination committee

The composition of this committee is determined according to the particular appointment under consideration.

Remuneration committee

Peter Jarvis – Chairman
Oliver Stocken
John Sunderland

Summary of results

	Turnover		Profit before tax	
	2002 £m	2001 £m	**2002 £m**	2001* £m
Gaming	**474.5**	437.1	**104.8**	95.7
Hard Rock	**242.7**	248.4	**27.6**	38.0
Deluxe	**704.2**	634.6	**89.0**	74.1
US Holidays	**43.2**	46.8	**8.1**	9.5
Central costs and other	**–**	–	**(9.9)**	(7.6)
Continuing operations including acquisitions	**1,464.6**	1,366.9	**219.6**	209.7
Net income from associates and joint ventures			**3.3**	2.7
Managed businesses' interest			**(22.6)**	(24.3)
Profit before tax and exceptional items			**200.3**	188.1
Exceptional items			**(2.3)**	(27.6)
Profit before tax			**198.0**	160.5
Basic earnings per share before exceptional items			**19.9p**	16.5p
Basic earnings per share			**19.6p**	11.9p
Dividend per share			**13.2p**	12.6p

*as restated for FRS 19.

Earnings per share before exceptional items of 19.9p was 21% ahead of last year, and 65% ahead after exceptional items. This improvement reflects strong growth in Gaming and Deluxe, lower interest charges and a substantially reduced tax charge.

Group turnover was up 7% after including a £61.7m benefit from acquisitions, in particular the Ritek transaction within Deluxe Media Services. Turnover from existing operations was up 3%, reflecting strong growth in Gaming and Deluxe Film, offset by a weaker performance by Hard Rock and adverse currency movements. The effect of the movement in exchange rates between 2001 and 2002 was to reduce turnover by £37.8m.

Group operating profit before exceptional items was up 5%. Gaming had another excellent year with profit 13% ahead of 2001, before accounting for a £5.0m loss at Rank Interactive Gaming. This result reflects both strong turnover growth and further improvement in operating margins in both Mecca Bingo and Grosvenor Casinos. Deluxe Film profit was up 16% due to an exceptional release schedule and a first full year of contribution from the new laboratory in Rome. Deluxe Media Services' profit was up 31%, helped by a first time contribution of £4.3m from the venture with Ritek and an improved result from distribution, which more than compensated for the decline in VHS volumes and margins. As expected, Hard Rock experienced a difficult year in the aftermath of the events of 11 September 2001. Operating profit was down to £27.6m from £38.0m in 2001 with low levels of travel and tourism having a direct impact on the cafe estate, particularly on merchandise sales.

Net interest payable before exceptional items was £1.7m lower than last year at £22.6m, despite higher average debt levels. This reflects a substantial reduction in the average rate of interest. Net debt at the year end was £399.1m compared to £248.1m in 2001.

The following table sets out the divisional results and profit before tax after exceptional items.

	Profit before tax	
	2002 £m	2001 £m
Gaming	**104.8**	95.7
Hard Rock	**27.6**	38.0
Deluxe	**82.8**	36.6
US Holidays	**8.1**	9.5
Central costs and other	**(9.9)**	(7.6)
Continuing operations including acquisitions	**213.4**	172.2
Net income from associates and joint ventures	**1.3**	2.7
Non-operating items	**5.9**	9.9
Managed businesses' interest	**(22.6)**	(24.3)
Profit before tax	**198.0**	160.5

The effective tax rate was 30.3% (2001 – 36.4%, after restating for FRS 19).

The board has recommended a final dividend of 8.8p, an increase of 5%, making a full year dividend of 13.2p (2001 – 12.6p).

Gaming

		Turnover		Operating profit	
		2002 £m	2001 £m	**2002 £m**	2001 £m
Mecca Bingo	– UK	**231.7**	225.7	**72.4**	67.6
	– Spain	**18.6**	13.5	**4.6**	3.5
		250.3	239.2	**77.0**	71.1
Grosvenor Casinos	– UK	**163.3**	140.6	**29.9**	23.4
	– Belgium	**8.5**	9.5	**(0.2)**	0.7
		171.8	150.1	**29.7**	24.1
Rank Leisure Machine Services		**50.0**	47.8	**3.1**	2.3
Rank Interactive Gaming		**2.4**	–	**(5.0)**	(1.8)
		474.5	437.1	**104.8**	95.7

The strong performance of the Gaming division continued during 2002 with profits up 13% before £5.0m of losses from Rank Interactive Gaming. The division's momentum for revenue growth was maintained during the year and, accompanied by a keen focus on cost control, resulted in increased operating margins at each of Mecca Bingo, Grosvenor Casinos and Rank Leisure Machine Services.

Mecca Bingo

	2002	2001	Change
UK Bingo statistics			
Admissions (000s)	**22,678**	23,879	-5.0%
Spend per head (£)	**10.22**	9.45	8.0%

In the UK, Mecca Bingo continued the well-established trend of growth in both turnover and profit margins. During the year, turnover increased by 3% and operating profit by 7%. The number of registered members increased by 4% to nearly 1.1m and although admissions fell by 5%, this was more than compensated for by an 8% increase in spend per head, continuing the pattern experienced over the last few years. Mecca has been successful in attracting younger, higher yielding customers, with 45% of the membership now aged below 44. These players tend to visit less frequently but spend more per visit, especially on interval games, such as cashline bingo, and on machines, both of which attract high margins. The split of revenue by activity is shown below.

Analysis of UK bingo turnover

	2002 £m	2001 £m	Change
Main stage bingo	**47.1**	48.7	-3%
Interval games	**102.8**	95.8	7%
Gaming machines	**56.8**	56.1	1%
Food and beverage	**22.0**	22.2	-1%
Other	**3.0**	2.9	3%
Total	**231.7**	225.7	3%

The roll-out of the recently permitted jackpot machines is continuing and is expected to further enhance machine revenue and profitability in the future. At the year end, 210 jackpot machines had been installed with plans for a total of 350 by the middle of 2003.

Mecca's operating profit margin increased by a further 1% to 31% in 2002 despite an additional £3.5m in promotional costs, reflecting the growth in interval games and machines and underlining the strength of cost controls within the business.

In Spain, Mecca's bingo operations produced a strong year-on-year performance reflecting the inclusion for the first time of the three additional clubs which were acquired during the first half for net cash consideration of £15.0m, of which £9.2m was paid in 2002. The clubs contributed £1.5m of operating profit in the year and have benefited from the introduction of Mecca's UK expertise.

Grosvenor Casinos

	Turnover		Operating profit	
	2002 £m	2001 £m	**2002 £m**	2001 £m
UK				
London – upper	**23.2**	18.9	**6.0**	3.0
London – other	**55.5**	51.9	**11.7**	11.6
Provincial	**83.3**	69.8	**22.7**	16.5
Hard Rock	**1.3**	–	**(2.1)**	–
Overheads			**(8.4)**	(7.7)
	163.3	140.6	**29.9**	23.4

	Admissions		Handle per head		Win	
	2002 000s	2001 000s	**2002 £**	2001 £	**2002 %**	2001 %
UK						
London – upper	**54**	47	**2,062**	2,271	**20.9**	17.6
London – other	**647**	629	**469**	409	**17.1**	18.9
Provincial	**2,627**	2,473	**166**	141	**16.6**	17.2

Grosvenor Casinos continues to benefit from the investment made over the last few years in relocating and refurbishing its casinos and from the enhancement of its product offering. Turnover was up 16% and operating profit increased 28%. This was despite a reduction in win percentage that for the estate as a whole fell from 17.8% in 2001 to 17.2% in 2002.

In London, the Group's two upper end casinos – the Clermont and the Park Tower – increased revenue by 23%, due largely to a much higher win percentage, and doubled operating profit to £6.0m. The Park Tower is currently undergoing a major refurbishment that will extend its gaming space by 40%. At the other London casinos – the Victoria, Gloucester and Connoisseur – while admissions were up 3%, handle per head up 15% and turnover up 7%, operating profit was flat, partly reflecting increased costs associated with the introduction of later opening.

The provincial casinos delivered another impressive result in 2002. Admissions were up 6%, handle per head increased by 18% and turnover was up by 19%, despite a lower win percentage of 16.6%. Operating profits increased by 38% to £22.7m. The Brighton casino was relocated successfully and opened in August 2002.

The two new Hard Rock casinos opened during the second half of 2002 and incurred an operating loss of £2.1m, including pre-opening costs of £1.4m. The first Hard Rock Casino opened in central Manchester in July, followed by the second casino which opened in November, just off Leicester Square in the West End of London. Both casinos have enjoyed a strong start with impressive growth in both membership, now over 15,000 each, and also admissions, which for both casinos combined has reached over 6,000 per week.

The continued roll-out of electronic roulette is proving particularly successful and there are now a total of 420 machines across the Grosvenor estate. Progressive Stud Poker, which links across Grosvenor casinos and was the first of its type in the UK, was introduced in the fourth quarter of 2002 and has proved popular to date.

Rank Leisure Machine Services

Operating profit at Rank Leisure Machine Services increased during the year to £3.1m (2001 – £2.3m).

Rank Interactive Gaming

Rank Interactive Gaming, comprising rank.com and hardrockcasino.com, continued to build its customer base in 2002. As at December 2002, the business had over 75,000 registered customers and total stakes were running at an annualised rate of approximately £90m. The investment in building market share together with start-up costs associated with hardrockcasino.com, which was launched in July 2002, resulted in an operating loss of £5.0m for the year.

On 27 January 2003, the Group completed the acquisition of Blue Square Limited, one of the UK's leading internet and telephone betting businesses. The integration of Blue Square and Rank Interactive Gaming will create a substantial business with annualised stakes currently running at approximately £400m. Annualised cost savings of approximately £5m per annum have already been identified as well as a number of opportunities to cross-sell a variety of the games and betting products now available.

Hard Rock

	Turnover		Operating profit	
	2002 £m	2001 £m	**2002 £m**	2001 £m
Owned cafes	**230.4**	233.3	**29.2**	41.5
Cafe franchise and other income	**6.7**	7.6	**6.2**	7.5
Hotel franchise and other income	**3.3**	3.3	**3.8**	2.3
Territory sales	**2.3**	4.2	**2.3**	4.2
Advertising and promotion	**–**	–	**(1.4)**	(1.7)
Overheads	**–**	–	**(12.5)**	(14.1)
Restructuring charge	**–**	–	**–**	(1.7)
	242.7	248.4	**27.6**	38.0

Uncertainty in the international travel market during 2002 continued to impact the performance of Hard Rock and operating profit fell 27% to £27.6m. The impact was particularly severe at some of the company-owned cafes where reduced levels of tourism contributed to a substantial reduction in higher margin merchandise sales. In addition, pre-opening expenses were £1.9m higher than last year, reflecting the opening of a further six cafes (Munich, Austin, Pittsburgh, Nottingham, Minneapolis and Leeds). During 2003, new cafes will open in Lisbon, Cologne and Cardiff.

Like for like sales for the year as a whole were down 2.4% with food and beverage sales up 2.1%, a creditable result in the circumstances. Merchandise sales were down 8.2%.

Hard Rock like for like sales

	2002				
	First half %	Q3 %	Q4 %	Total %	8 weeks to 21.2.03 %
Total	**-6.3**	**-0.4**	**5.2**	**-2.4**	**-0.5**
Food and beverage	-1.7	4.7	8.1	2.1	2.6
Merchandise	-12.3	-6.6	0.7	-8.2	-6.1
North America	-5.1	0.8	3.6	-1.7	-1.1
Europe	-11.9	-5.0	12.3	-5.2	2.3

Like for like trends improved considerably during the fourth quarter, albeit against relatively weak comparatives in 2001. Total sales were up 5.2% with food and beverage up 8.1%. Since the year end, after a good performance in January 2003, up 5.1%, like for like sales during February were impacted by terrorist alerts in both the UK and the US, and by severe weather conditions in the northern states of the US. Overall, for the eight weeks to 21 February 2003 like for like sales were down 0.5%.

Hotel franchise and other income contributed £3.8m in 2002, including a dividend of £1.4m from the Group's 25% interest in the partnership which owns three hotels in Orlando, including the Hard Rock Hotel. The development of new revenue streams from licensing the Hard Rock brand to other leisure-related activities has made good progress. Following the completion of its financing arrangements in May 2002, the Seminole Indian Nation development in Florida, comprising two new hotel and casino resorts, is now in-build and expected to open, at least partially, by the year end. An arrangement with the Choctaw Indians for a beach club in Mississippi is now in place and is expected to open later this year. In the longer term there is also a plan for a Hard Rock Hotel development on the same site. The new Hard Rock Hotel in Chicago is scheduled to open at the end of 2003. These transactions demonstrate the value of the brand and we will continue to search for other attractive opportunities.

Despite the receipt of a one-off site fee of £1.0m relating to the Choctaw development, territory fees fell by £1.9m during the year.

Deluxe

	Turnover		Operating profit*	
	2002 £m	2001 £m	**2002 £m**	2001 £m
Film processing	**367.5**	341.5	**62.5**	53.9
Media services	**336.7**	293.1	**26.5**	20.2
	704.2	634.6	**89.0**	74.1
Associates and joint ventures			**1.8**	1.1
			90.8	75.2

*before exceptional items.

Film processing

Film processing had an exceptional year in 2002. A number of major blockbuster films were processed including Spider-Man, Star Wars Episode II – Attack of the Clones, Lord of the Rings – The Two Towers, and James Bond – Die Another Day, contributing to a record year for the business. Film footage was up 16%, turnover 8% and operating profit 16%, helped by a full year's contribution from the Rome laboratory and the relocation of the Toronto laboratory which became fully operational in April 2002. The programme for 2003 looks strong and includes Daredevil and Lord of the Rings – The Return of the King.

During 2002 Deluxe Film expanded its geographic coverage with the purchase of a new laboratory in Barcelona, acquired for £5.5m in November 2002, and in Australia through a technical and marketing joint venture with Atlab, the largest film processing business in Australasia. These developments have further enhanced the position of the film business in Europe and also provided an entry point into the attractive Asian market.

Deluxe also extended its range of services to studios through the acquisition of Capital FX and a 20% shareholding in EFILM. Capital FX was acquired in November 2002 for £9.0m (of which £6.0m is deferred) and is a leading player in the UK laser sub-titling and digital effects market. The 20% interest in EFILM, which is engaged in the digital production of film elements necessary for bulk film processing, was acquired in July 2002. The results of Atlab and EFILM are recorded within Deluxe associates and joint ventures.

On 31 December 2002, the Group acquired the remaining 50% equity of ETS that it did not already own. ETS is a distributor of release prints and trailers based in Los Angeles. The total consideration payable is up to £14.2m, of which £7.4m was paid in January 2003 and £6.8m is deferred until later years. Of the deferred consideration, up to £1.6m is contingent upon the future performance of ETS. This brings the total investment in ETS to £17.5m for 100% ownership.

The decision during the first half to renew the majority of Deluxe's major film contracts has lengthened the average life of existing contracts such that some 71% of 2002 actual volumes are now secure until 2005 and 63% until 2006. As stated at the time of the interim results, the loss of the contract with Universal Studios will have an adverse impact on Film's profits in the current year. However, we expect that underlying growth in film footage, the effect of new acquisitions and a continuing drive to reduce costs, will mitigate the impact of the contract loss on the results for 2003.

Media Services

	Turnover		Operating profit*	
	2002 £m	2001 £m	**2002 £m**	2001 £m
Video duplication	**178.9**	212.1	**18.1**	23.6
DVD replication	**55.7**	12.6	**2.3**	(5.0)
Distribution services	**90.8**	68.4	**5.3**	1.6
Digital services	**11.3**	–	**0.8**	–
	336.7	293.1	**26.5**	20.2

*before exceptional items.

After a number of years of declining turnover and profit, Deluxe Media Services recorded a 31% growth in operating profit in 2002. The Group has made excellent progress in repositioning this business for the future, in particular through the formation of a new DVD replication venture with Ritek Corporation of Taiwan. This venture combines the DVD assets of Deluxe and Ritek in North America and Europe and creates a major force in the DVD market. Deluxe will pay a total of £33.8m to Ritek, spread over three years, for an 80% interest in the new venture which contributed £4.3m to Deluxe operating profit in 2002. The move into DVD, together with the continuing importance of distribution services and the entry into digital services, means that, over time, Deluxe will become much less dependent upon the declining video duplication market.

The worldwide replication market for DVD was estimated at approximately 1.74bn units at the end of 2002, an increase of over 60% compared with the previous year. The timing of the Ritek transaction meant that Deluxe was able to benefit from the inclusion of its share of the profits during the busiest time of the year in the run up to Christmas. Deluxe replicated 69m DVDs in 2002 (2001 – 6m), including Star Wars Episode II – Attack of the Clones and Spider-Man. DVD revenues increased to £55.7m and the combined business produced an operating profit of £2.3m.

The market for VHS continues to be difficult as consumers switch to using DVD as their primary home entertainment platform. Total volumes were down by 10% while revenues were down by 16%, reflecting the continued price erosion being suffered as demand declines. During 2002, Deluxe duplicated approximately 224m VHS cassettes (2001 – 250m). While this performance was better than the market as a whole, it was not sufficient to prevent a fall in operating margin to 10.1% (2001 – 11.1%). The steady decline in VHS is expected to continue during 2003 and whilst we expect DVD volumes to grow strongly, the relative margins are such that overall profit for Deluxe Media Services is expected to decline in 2003.

With a capability to distribute both DVD and VHS, Deluxe has seen substantial volume growth within its distribution services business with the number of DVDs distributed having increased by 90% to 171m (2001 – 90m). While the volume of VHS distributed declined by 20% to 272m, both revenue and profit from distribution activities increased substantially.

Digital services was formed in February 2002 following the acquisition of Vision Entertainment and the establishment of Deluxe Media Asset Management. Having invested in some of the most sophisticated technologies in the industry, as well as the development of bespoke software, the business has already secured a number of sizeable contracts to manage both physical as well as digital studio assets which are being securely delivered to entertainment industry customers around the world.

Deluxe associates and joint ventures

These comprise the Group's interests in EFILM, Atlab, The Lab, a front-end laboratory based in Toronto, and ETS (which became a 100% subsidiary on 31 December 2002). Deluxe's investments contributed £1.8m in 2002 (2001 – £1.1m).

US Holidays

The US Holidays business suffered from the reduced level of tourism but still managed a satisfactory result in the circumstances with operating profit of £8.1m (2001 – £9.5m). The business generated net cash of £13.0m (2001 – £13.3m).

Central costs and other

	2002 £m	2001 £m
Central costs	**(14.3)**	(10.2)
Other	**4.4**	2.6
	(9.9)	(7.6)

The increase in central costs is largely as a result of a £6.5m provision (2001 – £2.1m) in respect of the Group's long term incentive plan for key employees.

Associates and joint ventures

	2002* £m	2001 £m
British Land	**1.5**	1.6
Deluxe associates and joint ventures	**1.8**	1.1
	3.3	2.7

*before exceptional items.

The British Land joint venture ended with the disposal of all its remaining properties on 29 August 2002 for cash proceeds of £109m and net cash proceeds, after financing, for the Group of £16.6m.

Managed businesses' interest

	2002 £m	2001 £m
Interest payable and other charges	**33.0**	34.6
Interest receivable	**(9.5)**	(7.5)
Net profit on redemption of fixed rate debt	**(0.9)**	(2.8)
	22.6	24.3
Average interest rate	**5.5%**	7.1%
Interest cover (times)	**9.7**	8.6
Fixed charge cover (times)	**5.0**	4.6

Managed businesses' interest was £1.7m lower than 2001 reflecting a substantial reduction in the average rate of interest to 5.5% which more than off-set the impact of higher levels of net debt.

Taxation

The Group has implemented Financial Reporting Standard ("FRS") 19 "Deferred Tax". This has resulted in an effective tax rate of 30.3% (2001 – 36.4% as restated). The current tax rate is 15.6% (2001 – 17.0%). The effect of adopting FRS 19 is set out in note 5(c).

Exchange rates

The average exchange rates used and the net translation effect of changes in average exchange rates between 2001 and 2002 are summarised in the table below.

	Average exchange rate		Impact on 2002	
	2002	2001	Turnover £m	Operating profit £m
US dollar	**1.51**	1.43	(31.5)	(4.1)
Canadian dollar	**2.40**	2.23	(8.3)	(1.3)
Euro	**1.59**	1.61	2.0	0.2
			(37.8)	(5.2)
Gaming			0.4	0.1
Hard Rock			(9.4)	(0.9)
Deluxe			(26.6)	(4.0)
US Holidays			(2.2)	(0.4)
			(37.8)	(5.2)
Interest				0.8
Net impact on profit before tax				(4.4)

Exceptional items

	£m
Exceptional items within operating profit	
– impairment of DVD assets within Deluxe	**(6.2)**
Non-operating exceptional items	
– loss on disposal of continuing operations	**(0.8)**
– net loss on disposal of fixed assets in joint ventures – discontinued	**(1.0)**
– profit on disposal of interest in joint venture	**7.7**
Exceptional item within joint venture interest	**(2.0)**
	(2.3)

The exceptional charge in 2002 reflects an impairment of the value of Deluxe's investment in the ex Pioneer DVD facility which crystallised as a result of the venture with Ritek Corporation. The disposal of properties on ending the joint venture with British Land generated an exceptional net profit before interest of £6.7m and an exceptional £2.0m charge associated with the unwinding of a number of interest rate swaps.

Cash flow

	2002 £m	2001 £m
Cash inflow from operating activities		
Before Deluxe contract advances	**242.3**	233.4
Deluxe contract advances, net of repayments	**(135.0)**	33.0
	107.3	266.4
Capital expenditure	**(117.9)**	(103.3)
Fixed asset disposals	**21.0**	15.2
Operating cash flow	**10.4**	178.3
Distributions from associates and joint ventures	**–**	2.4
Acquisitions and investments	**(57.5)**	(14.4)
Disposals (including sale and leaseback transactions)	**18.9**	52.9
	(28.2)	219.2
Interest, tax and dividend payments	**(146.9)**	(151.1)
	(175.1)	68.1

Group operating cash flow was £10.4m (2001 – £178.3m). The reduction in operating cash flow from 2001 is due to the up front payments made during the first half of 2002 in relation to the extension of a number of contracts within Deluxe. The Group recorded net cash outflow of £175.1m (2001 – inflow of £68.1m) in the year.

Capital expenditure

	2002 £m	2001 £m
Gaming	**60.0**	48.5
Hard Rock	**26.2**	20.0
Deluxe	**30.4**	33.5
US Holidays	**1.3**	1.3
Total	**117.9**	103.3

Acquisitions and investments

	£m
Purchase of subsidiaries (net of cash acquired)	**35.3**
Investment in joint ventures and associates	
– Atlab	**4.8**
– EFILM	**3.7**
	8.5
Purchase of investments	
– Universal Rank Hotel partnership	**5.8**
– Rank Group ordinary shares	**7.3**
– Other	**0.6**
	13.7
Total	**57.5**

The further investment of £5.8m in the Universal Rank Hotel partnership now completes the Group's commitment to this venture. The investment in Rank Group ordinary shares was made in connection with the Group's long term incentive plan.

During 2002, the Group made a number of acquisitions. A summary of their respective cost and contribution to the Group's operating profit in 2002 is set out below:

		Consideration**		
	Date acquired	2002 £m	Deferred £m	2002 Operating profit £m
Gaming				
Spanish bingo clubs	Q2	**9.2**	5.8	1.5
Deluxe Film				
Capital FX	November	**3.0**	6.0	0.2
Image	December	**5.1**	0.4	0.1
Deluxe Media Services				
Ritek Corporation (80%)	July	**14.2**	19.6	4.3*
Other		**3.8**	–	(0.1)
		35.3	31.8	6.0

*before minority interests.
**net of cash acquired.

On 31 December 2002, the Group agreed to acquire the remaining 50% of ETS that it did not already own. The total consideration was £14.2m of which £7.4m was paid in January 2003. On 27 January 2003, the Group completed its acquisition of Blue Square for a total consideration of £65m in unlisted, unsecured convertible loan stock. The loan stock, which is redeemable from the end of July 2003, is convertible into Rank ordinary shares at a price of 282p per £1 of loan stock held. Full conversion of the loan stock would result in the issue of 23m new Rank ordinary shares.

Disposals
Disposals during the year comprise payments and receipts in connection with the disposals of the UK Holidays division in 2000 and the Butlins Hotels in 1999 as well as the disposal of properties on ending the British Land joint venture and sale and leaseback transactions.

Net debt
Net debt at 31 December 2002 was £399.1m compared with £248.1m at 31 December 2001. Net debt as a percentage of shareholders' funds was 53% compared to 34% at 31 December 2001 (as restated for the effect of FRS 19 "Deferred Tax").

Pensions
An actuarial valuation of the Group's defined benefit scheme for UK employees was conducted at 5 April 2001. At the valuation date the market value of the assets of £589.9m exceeded the market value of the liabilities by 9%, giving a surplus of £49.2m. At 31 December 2002, the deficit on the pension fund would be £90.9m calculated in accordance with the provisions of FRS 17 "Retirement Benefits" (2001 – surplus £36.9m).

Borrowings
The Company's articles of association provide that borrowings shall not exceed one and a half times the adjusted share capital and consolidated reserves of Rank. As at 31 December 2002, this limit was £1,044.5m compared with relevant borrowings of £463.1m.

Treasury policy
Rank seeks to achieve certainty of value on its foreign currency purchases and sales by buying or selling forward a portion of its estimated net currency requirements up to a year ahead, or longer where an external currency exposure exists, or is forecast to exist. At 31 December 2002, at least 80% of anticipated core currency transaction exposures for the following 12 months had been hedged. Balance sheet currency exposure in respect of investments in overseas subsidiaries is minimised by hedging the underlying asset position with currency borrowings or through the use of currency swaps.

Rank seeks to protect itself against material adverse movements in interest rates by undertaking controlled management of the interest rate structure on Group investments and borrowings. This exposure is managed by fixing interest rates on a portion of the Group's borrowings dependent on the level of gearing.

The directors review and agree the broad policies and guidelines for all significant areas of treasury activity, including key ratios, funding and risk management. Implementation of these policies is carried out by the Group treasury department, under close management direction. The treasury function is not operated as a profit centre.

Rank uses off-balance sheet financial instruments, including foreign exchange forward contracts and interest rate swaps, in its management of exchange rate and interest rate exposures. Off-balance sheet financial instruments are only used to hedge underlying commercial exposures. Therefore, while these instruments are subject to the risk of loss from changes in exchange rates and interest rates, such losses would be offset by gains in the related exposures. Rank does not speculate in derivative financial instruments. Realised and unrealised gains and losses on foreign exchange forward contracts that hedge firm third party commitments are recognised in income in the same period as the underlying transaction. Net interest paid or received on interest rate swap contracts is included in net interest expense.

Further information on borrowings and financial instruments is contained in notes 18 and 19 to the accounts.

Shareholders' funds
Shareholders' funds were £748.6m at the end of 2002 compared with £728.7m (as restated) at the end of 2001.

The directors submit their report and statement of accounts for the year ended 31 December 2002.

Principal activities and business review

Rank is one of the UK's leading leisure and entertainment companies and an international provider of services to the film industry. In 2002, leisure and entertainment activities included casinos and bingo clubs, and Hard Rock Cafes and global rights to the Hard Rock brand. Rank also owns film processing and video and digital versatile disc ("DVD") duplication and distribution facilities, branded Deluxe. Rank operates primarily in the UK and North America, although it also has activities in continental Europe and other parts of the world.

During the year, the Company significantly strengthened Deluxe's position in the fast growing DVD market through the formation of Deluxe Global Media Services ("DGMS"), a venture with Ritek Corporation ("Ritek"), the world's largest manufacturer of optical discs. DGMS combines the DVD assets of Deluxe and Ritek in North America and Europe and is 80% owned by Deluxe. The major studio and other contracts held by Ritek were transferred to DGMS.

Deluxe paid Ritek $15m on completion of the transaction and $14.75m on 3 January 2003 and will make a further payment of $14.75m on 1 January 2004. Deluxe also assumed a $5.5m loan note payable to Ritek in 2004.

An analysis of turnover, profit, operating assets and net cash flow by business activity is given on pages 50 to 51. The Group's continuing activities and businesses are reported on in the operating and financial review.

Result and equity dividends

Profit before tax for the year was £198.0m (2001 – £160.5m profit). Profit for the year after tax and minority interests was £136.7m (2001 as restated – £91.1m profit).

The directors recommend a final dividend of 8.8p per ordinary share which, together with the interim dividend of 4.4p already declared, makes a total for the year of 13.2p per ordinary share (2001 – 12.6p). Subject to approval at the annual general meeting, the final dividend will be paid on 9 May 2003 to those shareholders whose names are on the register on 11 April 2003. Retained profit for the year of £37.5m (2001 – loss £4.4m) has been transferred to reserves.

Directors

The current directors of the Company are listed on page 22 and all of them were directors of the Company throughout the year. The Company is satisfied that each non-executive director is able to devote the amount of time required to attend to the Company's affairs.

John Sunderland (a member of both the Audit and Remuneration committees) and Ian Dyson will retire by rotation at the annual general meeting, and, being eligible, will offer themselves for re-appointment. John Sunderland does not have a service agreement with the Company; Ian Dyson has a service agreement with the Company, terminable on 12 months' notice.

The interests of the directors in the shares of the Company, together with their remuneration and, where applicable, their service agreements, are detailed in the remuneration report. Biographical details of the directors are given on page 22.

Human resources

The Company recognises that the contribution made by its employees is crucial to the success of each of its businesses. Substantial investment is therefore made in the training, development and motivation of staff with particular attention to ensuring customer satisfaction through the consistent achievement of high standards of service and delivery of quality products.

Employee involvement in the direction and objectives of the business is encouraged through the use of incentive schemes to focus employees on the key performance indicators of each business. In addition, communication and consultation programmes exist at site, company and Group level.

The Company endorses the active application of equal opportunities policies and programmes to provide fair and equitable conditions for all employees regardless of sex, family status, religion, creed, colour, ethnic origin, age, disability or sexual orientation.

Health and safety

The board receives regular reports on health and safety matters. The Chief Executive has been nominated by the board as the main board director responsible for health and safety across the Group. The Group requires each division to develop and implement its own safety policy, organisation and arrangements, to respond to the particular health and safety risks in the division. The Group also requires an annual report from each division on health and safety performance for the year.

Environment

The Group's policy is to encourage respect for the environment and Rank adopts an environmentally responsible attitude in the fulfilment of its business objectives. Close attention is paid to energy and water conservation and recycling of waste material where economically practical.

Corporate social responsibility

The Company has taken account of the disclosure guidelines on socially responsible investment published by the Association of British Insurers in its internal control practices, and will provide further information on these issues in future reports.

Share capital

Details of the new ordinary shares issued pursuant to the exercise of options under Rank's share option schemes are set out in note 23. Note 23 also contains details of the ordinary shares issued pursuant to the conversion of the Company's convertible preference shares.

A resolution will be proposed at the annual general meeting to authorise the directors to allot and grant rights over the unissued share capital and to authorise the directors to allot and grant rights over ordinary shares for cash up to a maximum nominal amount representing 5% of the issued ordinary share capital, without first making a pro rata offer to all existing ordinary shareholders.

Resolutions will also be proposed at the annual general meeting to authorise the Company to purchase up to 15% of its ordinary shares and convertible preference shares at or between the minimum and maximum prices specified in the relevant resolution set out in the notice of meeting. The authorities would only be exercised by the directors if they considered it to be in the best interests of shareholders generally and if the purchases could be expected to result in an increase in earnings per share.

Articles of association

A resolution will be proposed at the annual general meeting that Article 102(A) of the Company's articles of association be amended.

Article 102(A) of the Company's articles of association refers to borrowing restrictions on the board, relating to the Company and its subsidiary undertakings. The board considers that it is in the Company's and its shareholders' best interests to have increased flexibility by increasing the limit on the amount the Group may borrow from one and a half times to two and a half times the Group's adjusted capital and reserves (as defined in Article 102). The increase to two and a half times brings this limit into line with those of groups similar to the Rank Group.

Fixed assets

The directors have considered the total net book value of land and buildings and are of the opinion that it is not significantly different from market value at 31 December 2002.

Payment of suppliers

The Company and its subsidiaries agree terms and conditions for their business transactions with their suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the supplier. Given the diversity of the Group's businesses and the widely differing credit terms which apply in the various industries and territories in which they operate, the directors consider that it is not meaningful to disclose an average period of credit taken. The Company has no trade creditors.

Significant shareholdings

At the date of this report the Company has been notified of the following interests over its ordinary shares in accordance with Sections 198 to 208 of the Companies Act 1985:
CGNU Plc (28,854,661 – 4.87%), AXA-UAP S.A. (23,659,105 – 3.99%), Barclays plc (23,291,274 – 3.93%), and Legal & General Investment Management Limited (18,054,867 – 3.04%).

Charitable and political donations

Charitable donations made in the UK during the year amounted to £151,000 (2001 – £68,000). The largest single donation was £80,000 in favour of the BCA Gaming Industry Charitable Trust. Overseas companies supported a variety of local and national charities and, in particular, Hard Rock Cafe International (USA) Inc. donated approximately US$762,000 (2001 – US$412,000), continuing its focus on humanitarian and environmental causes. The Company made no political donations in the year.

Auditors

Following the conversion of the Company's auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 23 January 2003 and the directors appointed their successor, PricewaterhouseCoopers LLP, as auditors. A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

Post balance sheet event

On 27 January 2003 the Company completed the acquisition of Blue Square Limited, one of the UK's leading internet and telephone betting businesses for a consideration of £65m in unlisted unsecured convertible loan stock. Further details are set out in note 34 to the accounts.

By order of the board

Charles Cormick
Secretary, The Rank Group Plc, Registered No. 3140769
Registered Office:
6 Connaught Place, London W2 2EZ

28 February 2003

The Remuneration committee

Rank's Remuneration committee is comprised solely of independent non-executive directors. It is chaired by Peter Jarvis and its other members are Oliver Stocken and John Sunderland. The committee has formal terms of reference which include making recommendations to the board on the Company's policy on directors' remuneration and on the Company's framework of executive remuneration and its cost. The committee also determines on behalf of the board the remuneration, benefits and employment packages of the Chairman and the executive directors.

The committee meets at least three times a year; Alun Cathcart and Mike Smith normally attend its meetings as do Christine Ray, Group Human Resources Director, and Charles Cormick, Company Secretary, except for when issues in which they have a direct interest are being considered.

Advisers

During 2002, Towers Perrin was appointed by the committee as external adviser to the board and the committee on remuneration issues; advice on share-based incentive arrangements is also provided by New Bridge Street Consultants. Towers Perrin only provided services to the Company in 2002 relating to remuneration and benefits arrangements for executive directors and senior management; the advice provided by New Bridge Street Consultants extended to a wider employee population. Christine Ray assists the committee by preparing an annual report on remuneration and employment conditions existing within the Group, including current and anticipated levels of pay increases, and planned changes in employment conditions. Internal support is provided to the committee by Charles Cormick.

Remuneration policy

The Company's policy is to design and implement remuneration packages for executive directors and employees that are competitive in the marketplace and consistent with the reasonable expectation of shareholders for enhancing shareholder value. The Remuneration committee reviews the remuneration packages regularly to ensure that they meet the policy requirements.

For 2003, the committee does not foresee any major changes in policy, although a new annual cash bonus scheme has been introduced, as detailed below. The committee however accepts that the policy may need to change in subsequent years in order to take account of possible future changes in the Company's business environment, its strategic objectives, and in remuneration practice. Any changes in policy for years after 2003 will be described in future reports.

The remuneration packages combine both short term elements (base salary, benefits and bonuses) with long term elements (executive share option scheme and long term incentive plan). A significant proportion of executive directors' remuneration is performance related through the annual bonus plan, and the two long term share based incentive programmes. The share based schemes align the directors with the interests of shareholders and to reinforce this alignment, the committee has introduced shareholding guidelines for the executive directors. These guidelines call for the Chief Executive to build up a shareholding equivalent to one and a half times base salary, for other executive directors a shareholding of one times base salary, and for Executive committee members a shareholding of 0.75 times base salary. All have a number of years in which to build up the specified holding.

The targeted composition of each of the executive directors' remuneration (excluding pensions) is approximately 60% performance related and 40% non-performance related.

For each director, the performance related elements of the remuneration comprise an annual cash bonus and two long term share based incentive programmes (see full description overleaf). If target performance is achieved, the long term share based incentive plans have a value approximately twice that of the annual cash bonus. This reward structure is regularly reviewed by the committee to ensure that it meets the objectives of the remuneration policy.

Base salary and benefits

The policy is that base salaries should be reviewed annually, taking into account individual performance, and paid at a market competitive level in comparison with comparable jobs in selected relevant companies. Comparator groups are derived from their sector involvement, turnover and market capitalisation.

Benefits include a car, or cash allowance in lieu, and life, disability and health insurance.

Annual cash bonus

In recent years the executive directors have participated in a performance award scheme which provides annual cash bonuses of up to 50% of base salary. Under this scheme, bonuses are dependent upon achievement of primary and secondary performance measures. The primary measure is operating profit; the secondary measures are specific to the various group businesses and relate to a combination of turnover, cash flow, and cost reduction targets, with all criteria being demonstrably quantifiable. The scheme provides for a sliding scale of bonuses dependent upon performance. On-target performance results in bonuses totalling 35% of base salary with a maximum bonus of 50% of base salary for 106% achievement.

For 2003 a new annual cash bonus plan for executive directors and senior management has been introduced. A small element of this bonus will relate to the Company's performance in the first six months of the year. Whilst the objectives and overall structure of the plan are broadly similar to previous arrangements, the committee believes that the following changes are consistent with current market practice, achievement of the strategic objectives of the Group and in line with the remuneration policy:

- A change in the full-year performance measures for executive directors to a primary measure of operating profit and a secondary measure of return on capital employed. There will be only one performance measure for the first half-year, which will be operating profit.

- The performance range and bonuses payable have been extended. On-target performance will continue to attract a bonus of 35% of base salary but the maximum bonus payable for the full year has been increased to 70% of base salary for 115% achievement.

Additional cash bonuses

Additional cash bonuses were introduced in 2000 when it was essential to ensure the retention and incentivisation of key management at a time when the Group was undergoing major restructuring. It was never the intention of the Remuneration committee that they would become a permanent element of remuneration packages; instead, it was planned that they would be phased out as the Group emerged from the restructuring. This has now occurred and no additional cash bonuses accrued to directors or senior management in the second half of 2002. The committee does not intend to pay additional cash bonuses in the future, save in exceptional circumstances.

For the first six months of 2002 additional cash bonus accrued to executive directors equal to one half of the ordinary cash bonuses earned in the period. Payment of these additional cash bonuses was deferred until December 2002; the amounts are disclosed in the table below, headed "Additional bonus".

The cash emoluments received by the directors in 2002 were as follows:

						Total emoluments (excluding pensions)	
	Base salary/fees £000	Benefits £000	Expenses allowances £000	Annual bonus £000	Additional bonus £000	**2002 £000**	2001 £000
Alun Cathcart	150	–	10	–	–	**160**	107
Ian Dyson	300	23	–	116	31	**470**	481
Peter Jarvis	33	–	–	–	–	**33**	32
Mike Smith	530	30	–	206	54	**820**	878
Oliver Stocken	33	–	–	–	–	**33**	32
John Sunderland	29	–	–	–	–	**29**	28

No compensation for loss of office was paid to or receivable by a director during the year.

Long Term Incentives

The Company operates a Save As You Earn ("SAYE") option scheme in which all UK employees and executive directors can currently participate. This scheme operates within specific tax legislation, including a requirement that the exercise of options can only be financed by the proceeds of a monthly savings contract; the exercise of options is not subject to satisfaction of a performance condition.

In addition, there are two other long term share based incentive programmes for executive directors and senior management. These are an executive share option scheme, in which approximately 200 current employees participate, and a long term incentive plan, in which some 20 top managers participate.

Executive Share Option Scheme

A new executive share option scheme, the Rank Group 2002 Executive Share Option Scheme (the "2002 ESOS"), was approved by shareholders at last year's annual general meeting and options were subsequently granted to the executive directors under the terms of this scheme. The minimum performance condition attaching to the exercise of these options is an average annual real growth in normalised earnings per share ("eps") of 3% over a three year performance period. (The scheme provides for tiered, more challenging performance conditions, dependent upon the value of options granted.) Eps was determined by the committee to be the appropriate criterion given its clear linkage with shareholder value, and the required real growth was in line with market practice at the time of shareholder approval of the scheme. Retesting of the performance conditions is permitted for one year only following the relevant performance period, using the original base year. The board considers that providing limited retesting is appropriate, given the changing focus of the Company and the cyclical nature of a number of its businesses.

Both executive directors were also granted options under the Rank Group 1996 Executive Share Option Scheme at the time of their recruitment in 1999. The performance condition attaching to the exercise of these options is that there must be an average annual real growth in eps of at least 2% over a three year period.

The details of the executive directors' executive share options are as follows:

Director	Number of shares under option at 1 January 2002	Options awarded/ exercised/ lapsed/ varied	Number of shares under option at 31 December 2002	Price paid on grant	Exercise price (p)	Exercise date***	Expiry date
Ian Dyson	278,225	–	278,225*	–	248.00	13.09.02	12.09.09
		138,376	138,376**	–	271.00	24.05.05	23.05.12
Mike Smith	795,580	–	795,580*	–	226.25	01.04.02	31.03.09
		244,464	244,464**	–	271.00	24.05.05	23.05.12

* granted under the terms of the Rank Group 1996 Executive Share Option Scheme.
** granted under the terms of the Rank Group 2002 Executive Share Option Scheme.
***subject to satisfaction of performance conditions.

The market value of one ordinary share was 266.5p at 31 December 2002; the highest market value during 2002 was 303p, and the lowest, 226p.

The directors' additional interests in shares of the Company, including options to purchase ordinary shares under the terms of the Group's SAYE option scheme, are given below:

	31 December 2002			1 January 2002			
	Ordinary shares	**Preference shares**	**SAYE**	Ordinary shares	Preference shares	SAYE	Exercise price (p)
Alun Cathcart	**75,000**	**–**	**–**	50,000	–	–	–
Ian Dyson	**20,000**	**–**	**–**	20,000	–	–	–
Peter Jarvis	**25,525**	**–**	**–**	20,113	–	5,412	179.00
Mike Smith	**120,000**	**–**	**–**	80,000	–	–	–
Oliver Stocken	**38,188**	**–**	**–**	25,000	–	–	–
John Sunderland	**1,058**	**–**	**–**	1,058	–	–	–

No options to subscribe for ordinary shares were granted to directors or lapsed during the year ended 31 December 2002. Peter Jarvis exercised a SAYE option over 5,412 ordinary shares on 1 May 2002. The exercise price per ordinary share was 179p and the market price at the date of exercise was 275p.

Pursuant to the provisions of the Companies Act 1985, each executive director is also deemed to be interested in the ordinary shares of the Company held by the Rank Group Employee Benefit Trust. At 1 January 2002 the interest was in a total of 1,224,389 ordinary shares, and at 31 December 2002, and at the date of this report, the interest is in a total of 3,897,157 ordinary shares. There were no changes in directors' interests between 1 January 2003 and the date of this report.

Long Term Incentive Plan

The Company's current policy, introduced in 2002, is to allow executive directors, and selected senior executives, to participate in a long term incentive plan (the Rank Group 2000 Long Term Incentive Plan ("the Plan")) and the 2002 ESOS in respect of the same performance periods.

The Plan provides for executive directors, and selected executives, to be given restricted awards over existing ordinary shares with a market value of up to one times base salary. Awards are released if a total shareholder return ("TSR") target is achieved and if there is an average annual real growth in normalised eps of at least 2% over the relevant performance period, comprising three consecutive financial years of the Company. TSR is measured by reference to the change in the price of ordinary shares over the performance period and the gross value of dividends received on the shares, assuming they are immediately reinvested in shares during that period. A total shareholder return criterion was selected by the committee because of its linkage with shareholder value, and a secondary criterion of eps growth was selected to ensure that awards do not vest at a time of overall unsatisfactory financial performance.

The group of companies with which the TSR of the Company is compared currently comprises BAA, Boots, Carlton, De Vere, Dixons, EMI, Granada, GUS, Hilton, Kingfisher, Luminar Leisure, Mothercare, MyTravel, Next, Pearson, Scottish & Newcastle, Six Continents, WH Smith and Whitbread.

A participant in the Plan will receive the total number of shares comprised in the restricted award if the Company's TSR performance ranks in the top quartile of the comparator group. To receive the minimum award (30%), the Company's TSR performance must exceed the median performance. The percentage of shares to be released for performance between the minimum and maximum targets increases on a straight line basis.

The executive directors were given further restricted awards under the Plan in 2002 but these had a market value of 50% of base salary, not 100% as applied previously, as the directors were also granted executive share options in this period.

The Company's TSR performance over the three years ended 31 December 2002 ranked number two in the comparator group, and the average annual real growth in normalised eps exceeded 2% in the period. Accordingly, in 2003 Mike Smith and Ian Dyson will receive all of the shares conditionally awarded to them in 2000. In addition, Jerry Fowden, who resigned as a director in 2001, will receive an award of 61,502 ordinary shares. At the date of vesting of the awards, the market value of one ordinary share was 235p.

The following information relating to the Plan is required to be disclosed by the Directors' Remuneration Report Regulations 2002 (the "Regulations").

	Date of conditional award	Market price per share (p)	Performance period ending 31 December	At 1 January 2002 Number	Shares conditionally awarded Number	At 31 December 2002 Number
Ian Dyson	22.05.00	146.5	2002	163,822		163,822
	27.03.01	176.3	2003	153,191		153,191
	12.03.02	275	2004	–	54,545	54,545
Mike Smith	22.05.00	146.5	2002	317,406		317,406
	27.03.01	176.3	2003	283,687		283,687
	12.03.02	275	2004	–	96,363	96,363

No variation was made in the terms and conditions of interests in the Plan during 2002.

As at 31 December 2002 the Company was ranked number two in its comparator group in respect of the performance periods commencing January 2001 and 2002.

Pension arrangements

The executive directors are members of the Rank Pension Plan, which is a defined benefit scheme. Accrual rates do not exceed 1/30th of an individual's pensionable earnings for each year of pensionable service. Cash bonuses and the cash values of other benefits in kind are not pensionable. The normal retirement age for executive directors is 60.

The amount of pension which can be provided by the Rank Pension Plan to the executive directors is restricted by the earnings cap imposed by the Finance Act 1989. The Company therefore also pays an amount equal to 45% of Mike Smith's base salary into an unapproved retirement benefit scheme ("FURBS"), which is a defined contribution scheme, and Ian Dyson receives a salary supplement of 20% (2002 – £60,000; 2001 – £54,000) of his base salary.

Pension entitlements

Pension entitlements and corresponding transfer values under the Rank Pension Plan increased as follows during the year.

	Gross increase in accrued pension (1) £000	Increase in accrued pension net of inflation (2) £000	Total accrued pension at 31/12/02 (3) £000	Directors' contributions during period (4) £000	Transfer value of net increase in accrual over period (5) £000	Transfer value of accrued pension at 31/12/02 (6) £000	Transfer value of accrued pension at 31/12/01 (7) £000	Total change in transfer value during period (8) £000
Ian Dyson	3	3	10	6	15	69	51	12
Mike Smith	2	2	6	6	17	87	62	19

1 Pension accruals shown are the amounts which would be paid annually on retirement based on service to the end of the year.
2 Transfer values have been calculated in accordance with guidance note GN11 issued by the actuarial profession.
3 The value of net increase (5) represents the incremental value to the director of his service during the year, calculated on the assumption service terminated at the year end. It is based on the accrued pension increase (2) after deducting the directors' contributions (4).
4 The change in the transfer value (8) includes the effect of fluctuations in the transfer value due to factors beyond the control of the Company and directors, such as stockmarket movements. It is calculated after deducting the directors' contributions (4).
5 Voluntary contributions paid by directors and resulting benefits are not shown.
6 These figures exclude any salary supplements and contribution to the FURBS paid in lieu of pension benefits on pay in excess of the earnings cap.
7 These figures exclude Mike Smith's FURBS benefits.

Contributions paid during the year in respect of defined contribution arrangements were as follows:

	Contributions due for the period	Contributions accrued in prior periods and paid in this period
Mike Smith	£238,500	£Nil

Pension entitlements have been disclosed in accordance with the requirements of the Listing Rules of the Financial Services Authority.

Service contracts and external directorships

The Company's policy is that the Chairman and the executive directors should have service contracts with one-year notice periods although a longer initial notice period may be proposed in respect of any future appointments. The dates of the service contracts are as follows: Alun Cathcart – 10 April 2001, Ian Dyson – 17 August 1999, and Mike Smith – 25 February 1999. There are no predetermined compensation provisions for early termination. Compensation on termination will be determined on an individual basis, taking into account age, length of service, the circumstances surrounding termination and an individual's duty to mitigate losses. The existing non-executive directors do not have service contracts but serve the Company under letters of appointment which are terminable by the Company without liability for compensation. They are normally expected to retire from the board after seven years' service. Future non-executive appointments will be for an initial period of three years and subject to annual review thereafter.

Executive directors are allowed to accept one external non-executive directorship and to retain the fees received.

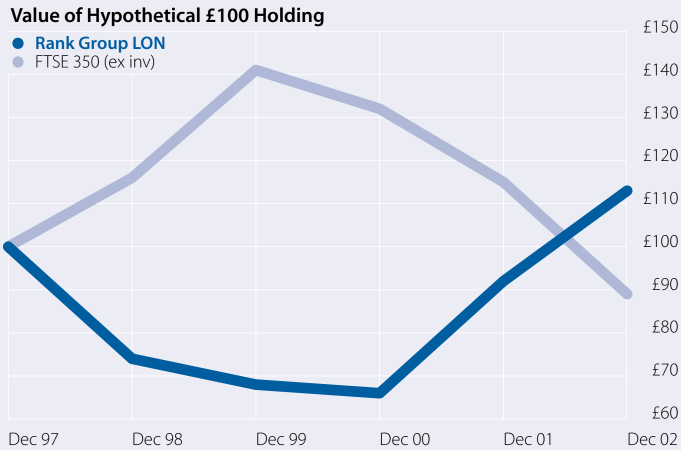
Non-executive directors

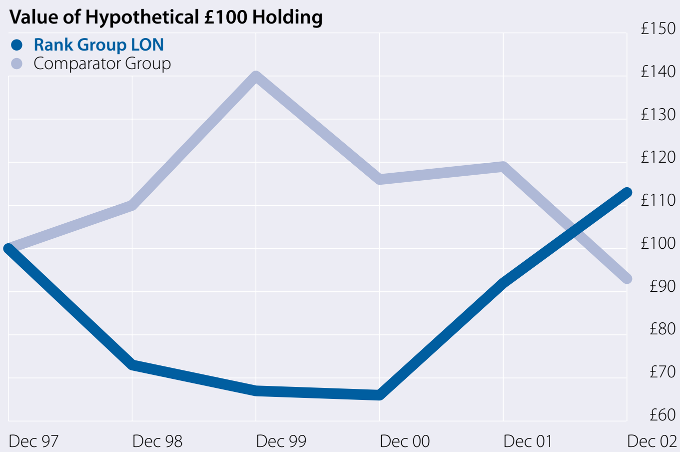
The Chairman and the executive directors determine the non-executive directors' fees; the policy is that the fees should be paid at a market competitive level in comparison with companies of broadly similar size in terms of market capitalisation. With effect from 1 January 2003, the fees are £32,500 pa, with the chairmen of the Audit and Remuneration committees receiving an additional £7,500 pa. The fees in 2002 were £28,500 pa and committee chairmen received additional fees of £4,000 pa. The Chairman and the non-executive directors do not participate in any bonus scheme, any Company pension scheme, any share option scheme or the long term incentive plan.

Company's performance

As required by the Regulations, the left hand graph below compares the Company's total shareholder return performance with the FTSE 350 (excluding investment companies) index for each of the past five financial years. The committee has selected the FTSE 350 (excluding investment companies) index as a comparator as the Company was a constituent of both the FTSE 100 and FTSE 250 indices during this period.

The right hand graph below compares the Company's total share return performance with that of the comparator group of companies under the Rank Group 2000 Long Term Incentive Plan for each of the last five financial years.





PricewaterhouseCoopers LLP

In their audit opinion on page 43 PricewaterhouseCoopers LLP refer to their audit of the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985. These comprise the following disclosures in this remuneration report:

- The table on page 35 showing cash emoluments received by the directors in 2002
- The disclosures under the heading 'Executive Share Option Scheme' on page 36
- The disclosures under the heading 'Long Term Incentive Plan' on pages 37 and 38
- The disclosures under the heading 'Pension entitlements' on page 38.

On behalf of the board

Peter Jarvis
Chairman of the Remuneration committee

The policy of the board is to manage the affairs of the Company in accordance with the Principles of Good Governance and Code of Best Practice as set out in Section 1 of the Combined Code annexed to the Listing Rules of the Financial Services Authority.

Application of Principles of Good Governance

Directors
The directors believe that it is essential that the Company should be led and controlled by an effective board. To this end, regular board meetings are held (not less than seven meetings in a year) and the board receives a steady flow of information to enable it to discharge its duties. There is a formal schedule of matters reserved for the board's decision, and all directors have access to the advice and services of the Company Secretary and to independent professional advice, if required, at the Company's expense. Training programmes, including induction into the operations of the Company, are developed for newly appointed directors. The current composition of the board is detailed on page 22.

The board has established the following committees, each with a formal constitution, to facilitate its operations:

The Audit committee
The Audit committee meets not less than three times a year and assists the board in reviewing the effectiveness of internal control systems. The committee also reviews financial statements to be published externally before their submission to the board, to ensure they present a fair assessment of the Group's position and prospects. It also authorises any change in accounting policies. The committee meets at least annually with the auditors without executive management being present.

The Audit committee also keeps under review the independence and objectivity of the external auditors. The committee reviews the nature and amount of non-audit work undertaken by PricewaterhouseCoopers each year to satisfy itself that there is no effect on their independence. It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where their expertise and experience within the Group are important, principally in the areas of transaction services, stock exchange transactions and tax advice. The Group's policy is, where appropriate, that work is put out to competitive tender. Details of this year's fees are given in note 2 on page 52.

PricewaterhouseCoopers are also subject to professional standards which are intended to safeguard the integrity of the auditing role. In this regard, the Audit committee has received and reviewed the written disclosures provided by PricewaterhouseCoopers as required by the UK Statement of Auditing Standards No 610 revised "Communication of audit matters to those charged with governance" and the US Independence Standards Board Standard No 1 "Independence Discussions with Audit Committees".

The Finance committee
The Finance committee is an executive committee to which certain specific authorities have been delegated by the board, principally in respect of capital expenditure authorisation and financing of the Group.

The Nomination committee
The Nomination committee proposes board appointments, both executive and non-executive, for approval by the board. Decisions on board appointments are a matter for the whole board.

The Remuneration committee
The Remuneration committee meets not less than twice a year and is responsible for determining the remuneration packages of the Chairman, the executive directors, and other members of the Executive committee. Details of the Remuneration committee's deliberations during the year are contained in the remuneration report on pages 34 to 39.

The composition of each of these committees is given on page 22.

The Executive committee
The Executive committee is not a committee of the board. Its role is to assist the Chief Executive in fulfilling his responsibilities for directing and promoting the profitable operation and development of the Group, consistent with the primary objective of creating long term shareholder value. It currently consists of the Chief Executive, Finance Director, Company Secretary, Group Human Resources Director and the Managing Directors of divisions.

Directors' remuneration
Details of directors' remuneration, and the process for its determination, are contained in the remuneration report.

Relations with shareholders
The Company maintains regular dialogue with its institutional shareholders and city analysts. Various presentations and visits are made throughout the year, and regular meetings are held with principal shareholders. All shareholders are welcome to attend the annual general meeting and private investors are encouraged to take advantage of the opportunity given to ask wide-ranging questions.

Accountability and audit
The means by which the board applies the principles of accountability and audit are set out overleaf.

Compliance with Code provisions
The Company has throughout the year complied with the Code provisions set out in Section 1 of the Combined Code save as follows:

Code provision A.2.1
The board has carefully considered the proposal that a senior independent director should be identified in the annual report and concluded that this would be inappropriate given that the Chairman of the Company and the chairmen of the Audit and Remuneration committees are already identified.

Risk management and internal control
The board maintained the procedures necessary to comply with the requirements of the Combined Code relating to internal control as described in the September 1999 guidance "Internal Control: Guidance for directors on the Combined Code" (Turnbull Report). In relation to Code provision D.2.1, the board reports below on the procedures that have been applied in reviewing the effectiveness of the system of internal control.

The board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. The process has been in place during the year and up to the date of approval of the annual report and accounts. It is regularly reviewed by the board and accords with the guidance set out in the Turnbull Report.

The directors acknowledge that they are responsible for the Group's system of internal control, for setting policy on internal control and for reviewing the effectiveness of internal control.

The role of management is to implement board policies on risk and control. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Considerable importance is placed on maintaining a strong control environment. In particular, there is a simple organisational structure with clearly drawn lines of accountability and delegation of authority; adherence to specified codes of conduct is required at all times, and the board actively promotes a culture of quality and integrity.

A Group risk management policy has been produced and regular meetings of the Group Risk Management committee take place, chaired by the Finance Director.

The Group Risk Management committee directs and reviews risk management activities within the Group, so that the significant risks facing the Group can be reported to the Audit committee and the board. The Group-wide risk assessment process includes a review that covers all controls, including financial, operational and compliance controls and risk management. The report to the Audit committee also provides information on the management and control of significant risks and monitors compliance with the Group risk management policy.

Detailed control procedures exist throughout the operations of the Group and compliance is monitored by management, internal auditors and, to the extent they consider necessary to support their audit report, external auditors. Gaming division has a compliance function that monitors day-to-day adherence to control procedures. Additionally, the Group retained an internal audit function an element of which was outsourced to PricewaterhouseCoopers. The Group terminated the outsourcing agreement with PricewaterhouseCoopers at the end of 2002. Internal audit activities are now coordinated and substantially resourced from within the Group.

The Audit committee has reviewed the effectiveness of the system of internal control during the year ended 31 December 2002. This has included consideration of the Group-wide risk assessment and the results of a self-certification of internal control exercise throughout the Group. The Audit committee has also considered reports from internal and external auditors.

The Audit committee has reported the results of its work to the board. The board has considered these reports when undertaking its review of the effectiveness of the Group's system of internal control.

Going concern

After reviewing the Group's budget for 2003 and its medium term plans, the directors are confident that the Company and the Group have adequate financial resources to continue in operational existence for the foreseeable future. They have therefore continued to adopt the going concern basis in preparing the accounts.

DIRECTORS' RESPONSIBILITIES IN RELATION TO THE ACCOUNTS

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for the financial year.

In preparing the accounts the directors are required to select appropriate accounting policies and apply them consistently, to make reasonable and prudent judgements and estimates, and to state that all accounting standards which they consider to be applicable have been followed, save as disclosed in the notes to the accounts. The directors are also required to prepare the accounts on the going concern basis unless it is inappropriate to do so.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985.

The directors also have responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

We have audited the accounts which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of recognised gains and losses, the statement of movements in shareholders' funds, the accounting policies and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ("the auditable part").

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the accounts in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the accounts and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not,in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the auditable part of the directors' remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. The other information comprises only the directors' report, the unaudited part of the directors' remuneration report, the Chairman's statement, the Chief Executive's review, the operating and financial review, the corporate governance statement and other information included in the contents list.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the auditable part of the directors' remuneration report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the auditable part of the directors' remuneration report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion:

- the accounts give a true and fair view of the state of affairs of the Company and the Group at 31 December 2002 and the profit and cash flows of the Group for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

28 February 2003

GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 December 2002

	Note	2002 Before exceptional items £m	2002 Exceptional items £m	2002 Total £m	2001 Before exceptional items (as restated) £m	2001 Exceptional items £m	2001 Total (as restated) £m
Turnover							
Continuing operations	1, 2	**1,402.9**	**–**	**1,402.9**	1,366.9	–	1,366.9
Acquisitions	1, 2	**61.7**	**–**	**61.7**	–	–	–
		1,464.6	**–**	**1,464.6**	1,366.9	–	1,366.9
Operating profit							
Continuing operations	1, 2	**213.6**	**(6.2)**	**207.4**	209.7	(37.5)	172.2
Acquisitions	1, 2	**6.0**	**–**	**6.0**	–	–	–
Group operating profit	1, 2	**219.6**	**(6.2)**	**213.4**	209.7	(37.5)	172.2
Share of operating profit in joint ventures and associates							
Joint ventures	12	**5.3**	**–**	**5.3**	6.3	–	6.3
Associated undertakings	13	**(0.5)**	**–**	**(0.5)**	–	–	–
Total operating profit		**224.4**	**(6.2)**	**218.2**	216.0	(37.5)	178.5
Non-operating items							
Net profit on disposal of fixed assets – continuing	3	**–**	**–**	**–**	–	12.3	12.3
Net loss on disposal of continuing operations	3	**–**	**(0.8)**	**(0.8)**	–	(0.7)	(0.7)
Net loss on disposal of discontinued operations	3	**–**	**–**	**–**	–	(1.1)	(1.1)
Net loss on disposal of fixed assets in joint ventures – discontinued	3	**–**	**(1.0)**	**(1.0)**	–	(0.6)	(0.6)
Profit on disposal of interest in discontinued joint venture	3	**–**	**7.7**	**7.7**	–	–	–
Profit (loss) before interest		**224.4**	**(0.3)**	**224.1**	216.0	(27.6)	188.4
Net interest payable and similar charges							
Group	4	**(22.6)**	**–**	**(22.6)**	(24.3)	–	(24.3)
Joint ventures	12	**(1.5)**	**(2.0)**	**(3.5)**	(3.6)	–	(3.6)
		(24.1)	**(2.0)**	**(26.1)**	(27.9)	–	(27.9)
Profit (loss) on ordinary activities before tax		**200.3**	**(2.3)**	**198.0**	188.1	(27.6)	160.5
Tax on profit (loss) on ordinary activities	5	**(59.8)**	**0.6**	**(59.2)**	(67.5)	–	(67.5)
Profit (loss) on ordinary activities after tax		**140.5**	**(1.7)**	**138.8**	120.6	(27.6)	93.0
Equity minority interests	24	**(2.1)**	**–**	**(2.1)**	(1.9)	–	(1.9)
Profit (loss) for the financial year		**138.4**	**(1.7)**	**136.7**	118.7	(27.6)	91.1
Dividends and other appropriations							
Preference – non-equity	7	**(21.0)**	**–**	**(21.0)**	(21.0)	–	(21.0)
Ordinary – equity	7	**(78.2)**	**–**	**(78.2)**	(74.5)	–	(74.5)
Transfer to (from) reserves	23	**39.2**	**(1.7)**	**37.5**	23.2	(27.6)	(4.4)
Basic earnings (loss) per ordinary share	8	**19.9p**	**(0.3)p**	**19.6p**	16.5p	(4.6)p	11.9p
Diluted earnings (loss) per ordinary share	8	**19.8p**	**(0.3)p**	**19.5p**	16.5p	(4.6)p	11.9p

There is no difference between the result as disclosed in the profit and loss account and that on an unmodified historical cost basis.

BALANCE SHEETS at 31 December 2002

	Note	Group 2002 £m	Group 2001 (as restated) £m	Company 2002 £m	Company 2001 £m
Fixed assets					
Intangible assets	9	**52.3**	7.4	**–**	–
Tangible assets	10	**780.7**	726.0	**–**	–
Investments					
Subsidiary undertakings	11	**–**	–	**1,697.0**	1,697.0
Joint ventures					
Share of gross assets		**12.9**	66.8	**–**	–
Share of gross liabilities		**(7.5)**	(50.7)	**–**	–
	12	**5.4**	16.1	**–**	–
Associated undertakings	13	**4.0**	0.8	**–**	–
Other	14	**58.0**	48.3	**9.8**	2.5
		67.4	65.2	**1,706.8**	1,699.5
		900.4	798.6	**1,706.8**	1,699.5
Current assets					
Stocks	15	**74.4**	69.4	**–**	–
Debtors (amounts falling due within one year)	16	**411.8**	430.4	**–**	–
Debtors (amounts falling due after more than one year)	16	**319.7**	224.3	**–**	–
Investments	17	**24.0**	6.3	**–**	–
Cash and deposits	17	**83.2**	117.6	**–**	–
		913.1	848.0	**–**	–
Creditors (amounts falling due within one year)					
Loan capital and borrowings	18	**(38.8)**	(7.9)	**–**	–
Other	20	**(403.5)**	(363.7)	**(535.1)**	(435.6)
		(442.3)	(371.6)	**(535.1)**	(435.6)
Net current assets (liabilities)		**470.8**	476.4	**(535.1)**	(435.6)
Total assets less current liabilities		**1,371.2**	1,275.0	**1,171.7**	1,263.9
Creditors (amounts falling due after more than one year)					
Loan capital and borrowings	18	**(467.5)**	(364.1)	**–**	–
Other	20	**(83.5)**	(79.2)	**–**	–
		(551.0)	(443.3)	**–**	–
Provisions for liabilities and charges	21	**(51.5)**	(87.8)	**(2.2)**	(2.2)
		768.7	743.9	**1,169.5**	1,261.7
Capital and reserves					
Called up share capital	23	**104.8**	104.6	**104.8**	104.6
Share premium account	23	**13.6**	8.5	**13.6**	8.5
Capital redemption reserve	23	**24.8**	24.8	**24.8**	24.8
Other reserves	23	**605.4**	590.8	**1,026.3**	1,123.8
Shareholders' funds		**748.6**	728.7	**1,169.5**	1,261.7
Equity interests		**522.0**	504.3	**942.9**	1,037.3
Non-equity interests		**226.6**	224.4	**226.6**	224.4
Equity minority interests	24	**20.1**	15.2	**–**	–
		768.7	743.9	**1,169.5**	1,261.7

These accounts were approved by the board on 28 February 2003 and signed on its behalf by:
Alun Cathcart, Chairman
Ian Dyson, Finance Director

GROUP CASH FLOW STATEMENT for the year ended 31 December 2002

	Note	2002 £m	2001 £m
Net cash inflow from operating activities	25	**107.3**	266.4
Distributions from joint ventures and associated undertakings		**–**	2.4
Returns on investment and servicing of finance			
Interest received		**8.2**	7.5
Interest paid		**(31.3)**	(49.2)
Dividends paid to preference shareholders		**(18.8)**	(18.8)
Dividends paid to minority shareholders in subsidiary undertakings		**(2.1)**	(3.0)
		(44.0)	(63.5)
Taxation paid (net)		**(27.1)**	(15.4)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(117.9)**	(103.3)
Purchase of investments		**(13.7)**	(12.0)
Sale of fixed assets and assets held for disposal		**34.8**	64.3
		(96.8)	(51.0)
Acquisitions and disposals			
Purchase of subsidiaries	26	**(38.7)**	–
Cash acquired with subsidiaries	26	**3.4**	–
Sale of businesses and investments		**5.1**	3.8
Investment in joint ventures and associated undertakings		**(8.5)**	(2.4)
		(38.7)	1.4
Ordinary dividends paid		**(75.8)**	(72.2)
Cash (outflow) inflow before use of liquid resources and financing		**(175.1)**	68.1
Management of liquid resources	28	**(18.8)**	5.4
Financing			
Issue of ordinary share capital		**5.2**	–
Changes in debt and lease financing			
Debt due within one year:			
repayment of US dollar private placements		**–**	(31.9)
drawdown of other short term loans and borrowings		**25.8**	–
Debt due after more than one year:			
repayment of US dollar private placements		**–**	(40.8)
net drawdown on dollar syndicated facilities		**159.9**	–
net movements on other long term facilities		**(25.5)**	(43.8)
Capital element of finance lease rental payments		**(0.5)**	(0.8)
Net cash inflow (outflow) from financing	26, 27	**164.9**	(117.3)
Decrease in cash	26, 27	**(29.0)**	(43.8)

GROUP RECOGNISED GAINS AND LOSSES for the year ended 31 December 2002

	Note	2002 £m	2001 (as restated) £m
Profit for the financial year		**136.7**	91.1
Currency translation differences on foreign currency net investments		**(26.5)**	2.0
Tax on exchange adjustments offset in reserves		**(0.5)**	(3.2)
Total recognised gains and losses relating to the year		**109.7**	89.9
Prior year adjustment			
– deferred tax asset	5(c)	**144.5**	
Total recognised gains and losses since last annual report		**254.2**	

MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS for the year ended 31 December 2002

	Note	2002 £m	2001 (as restated) £m
Profit for the financial year		**136.7**	91.1
Dividends payable excluding provision for redemption premium		**(97.0)**	(93.3)
Retained profit (loss) for the year		**39.7**	(2.2)
Other recognised gains and losses (net)		**(27.0)**	(1.2)
New share capital subscribed		**5.3**	–
Goodwill realised on disposal of subsidiaries		**2.6**	–
Amounts deducted in respect of shares issued to the QUEST		**(0.7)**	–
Net movement in shareholders' funds		**19.9**	(3.4)
Opening shareholders' funds as previously stated		**584.2**	556.3
Prior year adjustment			
– deferred tax asset	5(c)	**144.5**	175.8
Opening shareholders' funds as restated		**728.7**	732.1
Closing shareholders' funds		**748.6**	728.7

ACCOUNTING POLICIES

1 Basis of preparation
The accounts are prepared under the historical cost convention, and comply with applicable accounting standards on a basis consistent with the previous year except for the changes detailed below. The Group's profit and loss account and balance sheet include the accounts of the Company and its subsidiary undertakings, and the Group's share of profits or losses and reserves of its joint ventures and associated undertakings. The profits or losses of subsidiary undertakings acquired or sold during the period are included as from or up to the dates on which control passed. All business combinations are accounted for using the acquisition accounting method.

Changes in accounting policy
The Group has adopted Financial Reporting Standard ("FRS") 19 "Deferred Tax" in 2002.

FRS 19 requires deferred tax to be accounted for on a full provision basis rather than a partial provision basis as in 2001 and earlier years. This change in accounting policy has been accounted for as a prior period adjustment and accordingly the results reported in 2001 and earlier years have been restated as set out in note 5(c).

2 Foreign currency
Revenues, costs and cash flows of overseas undertakings are included in the Group profit and loss account at average rates of exchange. Assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date except where a forward exchange contract has been arranged when the contracted rate is used. Exchange differences on the retranslation of opening net assets and results for the period of foreign subsidiary undertakings are dealt with through reserves net of differences on related foreign currency borrowings and are reported in the statement of recognised gains and losses. Other gains and losses arising from foreign currency transactions, including trading, are included in the consolidated profit and loss account.

The principal exchange rates affecting the Group were:

	2002		2001	
	Year end	**Average**	Year end	Average
US dollar	**1.61**	**1.51**	1.46	1.43
Canadian dollar	**2.54**	**2.40**	2.32	2.23
Euro	**1.53**	**1.59**	1.63	1.61

3 Income recognition
Turnover consists of sales of goods and services and is generally recognised as goods are shipped or services are rendered. Turnover for casinos includes the gaming win before deduction of gaming duty.

4 Contract advances
The Deluxe businesses enter into contracts with major customers that span several years. As part of these contracts, Deluxe provides advance cash payments to the customers. Both Deluxe Media and Deluxe Film capitalise the total commitment payable under each contract within debtors at the date of the agreement and record a corresponding liability on the balance sheet for any outstanding amounts. Within Deluxe Media capitalised contract costs are amortised against revenue on a straight line basis over the life of the contract. Within Deluxe Film, contract advances are amortised on the basis of estimated total footage over the life of the contract, unless the terms of the contract indicate an alternative treatment would be more appropriate.

5 Goodwill
Goodwill arising on acquisitions made before 31 December 1997 has been written off directly to reserves. Goodwill arising on acquisitions subsequent to 31 December 1997 has been capitalised and is being amortised on a straight line basis over its useful economic life of 20 years or less.

6 Stocks
Stocks include work in progress and are valued at the lower of cost (including an appropriate proportion of overhead) and net realisable value.

7 Tangible fixed assets
Freehold properties are depreciated on a straight line basis over 100 years or their useful life, if less. Leased properties are depreciated over the lesser of 100 years, their useful life or the term of the lease. No depreciation is provided on freehold land. Expenditure on major refurbishment of properties is amortised over periods of between three and 15 years. Other fixed assets are depreciated mainly at rates between 5% and 33% per annum on a straight line basis.

Pre-opening costs are expensed as incurred.

Casino properties are depreciated over the useful economic life of the physical properties to their residual values. Both the initial carrying amount and residual value take into account the trading potential of the property with the benefit of the casino licences. In view of the high residual values, casino properties are reviewed annually for potential impairment.

8 Leased assets

Assets acquired under finance leases are included in tangible fixed assets. Depreciation is provided at rates designed to write-off the cost in equal annual amounts over the shorter of the estimated useful lives of the assets (which are the same as those for assets purchased outright) and the period of the leases. The capital element of future rentals is treated as a liability and the interest element is charged to the profit and loss account over the period of the leases in proportion to the balances outstanding. Operating lease payments are charged to the profit and loss account as incurred.

9 Pensions

The pension costs as calculated under SSAP 24 relating to the UK defined benefit scheme are assessed in accordance with the advice of a qualified actuary using the attained age method. Actuarial surpluses and deficiencies are amortised on a straight line basis over the expected average remaining service lives of the employees. The pension costs relating to the UK defined contribution scheme represent the contributions payable by the Group. Overseas schemes are accounted for in accordance with local conditions and practice such that the costs are charged against profits on a systematic basis over the service lives of the employees. The disclosures required under the transitional arrangements for FRS 17 are presented in note 30(b).

10 Taxation

Current tax is applied to taxable profits at the rates ruling in the relevant country.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Provision is made for the tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse.

The Group's previous accounting policy was to recognise a deferred tax liability to the extent that it was likely to arise in the future.

11 Financial instruments

Derivative instruments that may be utilised by the Group are forward interest rate swaps and caps, cross currency swaps, forward starting swaps, forward rate agreements, interest rate swaps, interest rate swap options, forward foreign exchange contracts and currency options.

Derivative instruments that are currently utilised by the Group are interest rate swaps, forward foreign exchange contracts and short term currency swaps. These instruments are used to manage interest rate and foreign exchange risk.

The forward foreign exchange contracts are used to hedge future transaction flows. The resulting gains and losses are recognised as they arise and offset against gains and losses in the related underlying exposure.

During 2001, the Group entered into a series of interest rate swaps with banks, the effect of which has been to replace part of the Group's fixed interest rate exposure with a floating rate exposure on an equivalent amount of notional debt.

The interest rate differentials from interest rate swaps used to manage the amounts and periods for which interest rates on underlying debt is fixed are recorded through an adjustment of net interest payable.

The underlying principal amounts of short term currency swaps are revalued at the exchange rates as at the balance sheet date and included in current asset investments or creditors to the extent that they are not related to underlying debt. The interest rate element of these contracts is recognised as part of net interest payable over the term of the agreement.

If a legally enforceable right exists to set off recognised amounts of financial assets and liabilities, which are determinable monetary amounts, and the Group intends to settle on a net basis, the relevant financial assets and liabilities are offset.

1 SEGMENTAL INFORMATION

	Turnover		Profit (loss) before exceptional items		Profit (loss) after exceptional items		Capital employed (b)	
	2002 £m	2001 £m	**2002 £m**	2001 £m	**2002 £m**	2001 £m	**2002 £m**	2001 £m
Analysis by division (a)								
Gaming	**470.3**	437.1	**103.3**	95.7	**103.3**	95.7	**589.3**	553.5
Hard Rock	**242.7**	248.4	**27.6**	38.0	**27.6**	38.0	**728.7**	776.4
Deluxe	**646.7**	634.6	**84.5**	74.1	**78.3**	36.6	**717.1**	547.8
US Holidays	**43.2**	46.8	**8.1**	9.5	**8.1**	9.5	**65.5**	77.9
Central costs and other	**–**	–	**(9.9)**	(7.6)	**(9.9)**	(7.6)	**–**	–
Continuing operations	**1,402.9**	1,366.9	**213.6**	209.7	**207.4**	172.2	**2,100.6**	1,955.6
Acquisitions	**61.7**	–	**6.0**	–	**6.0**	–		
	1,464.6	1,366.9	**219.6**	209.7	**213.4**	172.2	**2,100.6**	1,955.6
Share of investments (c)			**3.3**	2.7	**1.3**	2.7	**67.4**	65.2
Total capital employed							**2,168.0**	2,020.8
Non-operating items (net)					**5.9**	9.9		
Group interest payable and other similar charges			**(22.6)**	(24.3)	**(22.6)**	(24.3)		
Profit on ordinary activities before tax			**200.3**	188.1	**198.0**	160.5		

(a) Inter-segmental turnover is not material.
(b) Capital employed comprises net operating assets plus purchased goodwill.
(c) Share of investments' profit is defined as share of profit before tax. Share of investments' capital employed is the carrying value in the Group's balance sheet plus purchased goodwill. Investments comprise joint ventures, associates and other investments.

	Depreciation and amortisation		Investment expenditure		Net cash flow before financing		Net assets (as restated)	
	2002 £m	2001 £m	**2002 £m**	2001 £m	**2002 £m**	2001 £m	**2002 £m**	2001 £m
Analysis by division								
Gaming	**40.2**	41.3	**60.0**	48.5	**80.1**	85.4	**431.7**	396.9
Hard Rock	**16.4**	10.1	**26.2**	20.0	**17.9**	24.7	**170.8**	175.3
Deluxe	**23.1**	28.6	**30.3**	33.5	**(78.9)**	137.7	**453.2**	308.8
US Holidays	**0.8**	0.8	**1.3**	1.3	**13.0**	13.3	**39.9**	46.8
Central costs and other	**0.1**	0.3	**0.1**	–	**(33.1)**	(25.2)	**–**	–
Continuing operations including acquisitions	**80.6**	81.1	**117.9**	103.3	**(1.0)**	235.9	**1,095.6**	927.8
Investments			**22.2**	14.4	**(22.2)**	(14.5)	**67.4**	65.2
			140.1	117.7	**(23.2)**	221.4	**1,163.0**	993.0
Interest paid (net)					**(23.1)**	(41.7)		
Tax and dividends					**(123.8)**	(109.4)	**(1.6)**	43.9
Other non-operating assets (net)							**(45.9)**	(52.3)
Acquired debt and other non-cash items			**–**	–	**(5.0)**	(2.2)		
Goodwill							**52.3**	7.4
Net debt							**(399.1)**	(248.1)
			140.1	117.7	**(175.1)**	68.1	**768.7**	743.9

1 SEGMENTAL INFORMATION CONTINUED

	Turnover by origin		Operating profit by origin: Before exceptional items		Operating profit by origin: After exceptional items		Net assets (a)	
	2002 £m	2001 £m	**2002 £m**	2001 £m	**2002 £m**	2001 £m	**2002 £m**	2001 £m
Geographical analysis								
UK	**576.9**	529.4	**100.3**	95.0	**100.3**	85.9	**527.8**	453.4
North America	**673.1**	710.2	**94.0**	95.6	**87.8**	74.5	**456.5**	389.3
Rest of the World	**152.9**	127.3	**19.3**	19.1	**19.3**	11.8	**111.3**	85.1
Continuing operations	**1,402.9**	1,366.9	**213.6**	209.7	**207.4**	172.2	**1,095.6**	927.8

Turnover by destination is not materially different from turnover by origin.
(a) Net assets includes assets attributable to businesses acquired during the year.

2 TURNOVER AND OPERATING PROFIT

	2002 Continuing operations £m	**2002 Acquisitions £m**	**2002 Total £m**	2001 £m
Turnover	**1,402.9**	**61.7**	**1,464.6**	1,366.9
Cost of sales	**(996.5)**	**(52.6)**	**(1,049.1)**	(991.0)
Gross profit	**406.4**	**9.1**	**415.5**	375.9
Distribution costs	**(42.1)**	**(0.3)**	**(42.4)**	(42.2)
Administrative expenses	**(167.4)**	**(2.8)**	**(170.2)**	(170.3)
Other operating income	**10.5**	**–**	**10.5**	8.8
Operating profit	**207.4**	**6.0**	**213.4**	172.2
Exceptional items included above are:				
In cost of sales	**(6.2)**	**–**	**(6.2)**	(26.2)
In administrative expenses	**–**	**–**	**–**	(11.3)

	2002 £m	2001 £m
Operating profit is stated after charging the following items:		
In normal trading		
Depreciation of tangible fixed assets	**79.6**	80.6
Amortisation of goodwill	**1.0**	0.5
Operating lease payments – land and buildings	**51.5**	47.4
Operating lease payments – plant and machinery	**10.0**	7.3
In exceptional items		
Restructuring charges	**–**	8.9
Impairment of fixed assets (including goodwill)	**6.2**	28.6

The exceptional charge in 2002 reflects an impairment to the value of Deluxe's investment in the ex-Pioneer DVD facility which crystallised as a result of the venture with Ritek Corporation.

2 TURNOVER AND OPERATING PROFIT CONTINUED

During the year the Company's auditors, PricewaterhouseCoopers, earned the following fees:

	2002 £m	2001 £m
Audit fees		
UK	**0.6**	0.5
Overseas	**0.6**	0.5
	1.2	1.0
Non-audit services		
UK	**1.1**	1.7
Overseas	**0.6**	0.2
	1.7	1.9
	2.9	2.9
Non-audit services were as follows:		
Transaction services, stock exchange and other audit related work	**1.3**	1.6
Taxation advice	**0.4**	0.2
Consultancy and advisory services	**–**	0.1
	1.7	1.9

The auditors' remuneration for the Company was £50,000 (2001 – £50,000).

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where their expertise and experience with the Group are important, principally in the areas of transaction services, stock exchange transactions and tax advice. The Group's policy is, where appropriate, that work is put out to competitive tender. The Audit committee monitors the relationship with PricewaterhouseCoopers, including the level of non-audit fees.

3 NON-OPERATING ITEMS

	2002 £m	2001 £m
Net profit on disposal of fixed assets	**–**	12.3
Net loss (including provision for loss) on disposal of continuing operations (including goodwill written back from reserves of £2.6m)	**(0.8)**	(0.7)
Loss on disposal of discontinued operations	**–**	(1.1)
Net loss on disposal of fixed assets in joint ventures – discontinued	**(1.0)**	(0.6)
Profit on disposal of interest in discontinued joint venture	**7.7**	–
Non-operating items before interest and tax	**5.9**	9.9

The exceptional tax credit attributable to non-operating items is £0.6m (2001 – £Nil). The disposal of properties held by the joint venture with British Land generated a net profit before interest of £6.7m.

4 NET INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £m	2001 £m
Interest payable on bank loans and overdrafts	**0.8**	0.7
Interest payable on other loans	**30.0**	32.2
Finance charges on finance leases	**0.9**	0.4
Release of discount on provisions	**1.3**	1.3
Interest payable and other similar charges	**33.0**	34.6
Interest receivable from deposits and current asset investments	**(9.5)**	(7.5)
Net profit on redemption of fixed rate debt	**(0.9)**	(2.8)
	22.6	24.3

5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge in year

	2002			2001		
	Before exceptional items £m	**Exceptional items £m**	**Total £m**	Before exceptional items (as restated) £m	Exceptional items £m	Total (as restated) £m
UK corporation tax						
Current	**21.3**	**–**	**21.3**	11.4	–	11.4
Prior year	**(0.6)**	**–**	**(0.6)**	(0.3)	–	(0.3)
	20.7	**–**	**20.7**	11.1	–	11.1
Overseas tax						
Current	**9.5**	**–**	**9.5**	18.3	–	18.3
Prior year	**–**	**–**	**–**	2.0	–	2.0
	9.5	**–**	**9.5**	20.3	–	20.3
Taxation on share of profits of associated undertakings and joint ventures	**1.4**	**(0.6)**	**0.8**	0.9	–	0.9
Total current tax	**31.6**	**(0.6)**	**31.0**	32.3	–	32.3
UK deferred tax						
Timing differences	**4.6**	**–**	**4.6**	1.3	–	1.3
Overseas deferred tax						
Timing differences	**23.6**	**–**	**23.6**	33.9	–	33.9
Total deferred tax	**28.2**	**–**	**28.2**	35.2	–	35.2
Tax on profit (loss) on ordinary activities	**59.8**	**(0.6)**	**59.2**	67.5	–	67.5

(b) Taxation reconciliation

The tax charge for the year is lower than the standard rate of UK corporation tax (30%). The differences are explained below:

	2002 £m	2001 (as restated) £m
Profit on ordinary activities before tax	**198.0**	160.5
Profit on ordinary activities before tax at 30% (2001 – 30%)	**59.4**	48.2
Effects of:		
Permanent differences	**(0.5)**	12.9
Capital allowances in excess of depreciation	**(4.2)**	(5.6)
Differences in overseas tax rates	**(23.4)**	(22.8)
Adjustments relating to prior years	**(0.6)**	(0.8)
Other timing differences	**0.3**	0.4
Total current tax	**31.0**	32.3

The effective tax rate for the year has been reduced by a number of non-recurring permanent differences and, going forward, is likely to increase.

5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES CONTINUED

(c) Implementation of FRS 19

The adoption of FRS 19 "Deferred Tax" has resulted in changes in the method of accounting for deferred tax. FRS 19 requires, subject to certain exemptions, that deferred tax be recognised in respect of all timing differences that have originated but not reversed by the balance sheet date.

As a result of this change in accounting policy, comparatives have been restated as follows:

	Tax charge for the period £m	Profit after tax before exceptionals £m	Basic earnings per share pence
Year to 31 December 2001 – as reported	32.3	155.8	22.5p
Implementation of FRS 19	35.2	(35.2)	(6.0)p
Year to 31 December 2001 – as restated	67.5	120.6	16.5p

In the current year, the effect of this change in accounting policy has been to increase the total tax charge for the year by £28.2m.

	Deferred tax asset £m	Shareholders' funds £m
31 December 2001 – as reported	–	584.2
Implementation of FRS 19	144.5	144.5
31 December 2001 – as restated	144.5	728.7

6 PROFIT ATTRIBUTABLE TO THE PARENT COMPANY

The profit for the financial year in the accounts of The Rank Group Plc was £0.2m (2001 – £0.1m). As allowed by S. 230 Companies Act 1985, no profit and loss account is presented in respect of The Rank Group Plc.

7 DIVIDENDS AND OTHER APPROPRIATIONS

	2002 £m	2001 £m
Convertible preference shares – non-equity		
Dividends payable for the period	**18.8**	18.8
Provision for redemption premium	**2.2**	2.2
	21.0	21.0
Ordinary shares – equity		
Interim declared of 4.4p per share (2001 – 4.2p)	**26.1**	24.8
Final proposed of 8.8p per share (2001 – 8.4p)	**52.1**	49.7
	78.2	74.5

8 EARNINGS PER ORDINARY SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the employee benefit trust which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares comprising those share options granted to employees where the exercise price is less than the average price of the Company's ordinary shares during the year and the Company's convertible preference shares.

	2002			2001		
	Before exceptional items	**Exceptional items**	**Total**	Before exceptional items	Exceptional items	Total
Basic earnings (£m)	**117.4**	**(1.7)**	**115.7**	97.7	(27.6)	70.1
Weighted average number of ordinary shares (m) – basic			**589.2**			590.7
Basic earnings (loss) per ordinary share	**19.9p**	**(0.3)p**	**19.6p**	16.5p	(4.6)p	11.9p
Diluted earnings (£m)	**117.4**	**(1.7)**	**115.7**	97.7	(27.6)	70.1
Weighted average number of ordinary shares (m) – diluted			**592.4**			590.7
Diluted earnings (loss) per ordinary share	**19.8p**	**(0.3)p**	**19.5p**	16.5p	(4.6)p	11.9p

Earnings per share before exceptional items has been calculated to show the impact of exceptional items as these can have a distorting effect on earnings and therefore warrant separate consideration.

9 INTANGIBLE FIXED ASSETS

	Goodwill £m
Cost at 31 December 2001	8.5
Currency translation adjustment	(2.8)
Additions	50.6
Transfer from joint venture	2.4
Cost at 31 December 2002	**58.7**
Amortisation at 31 December 2001	1.1
Currency translation adjustment	(0.2)
Amortisation for the year	1.0
Provision for impairment (note 2)	4.5
Amortisation at 31 December 2002	**6.4**
Net book amount at 31 December 2002	**52.3**
Net book amount at 31 December 2001	7.4

10 TANGIBLE FIXED ASSETS

	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Payments on account and assets in course of construction £m	Total £m
Group				
Cost at 31 December 2001	569.7	579.9	34.5	1,184.1
Currency translation adjustment	(15.5)	(17.9)	(1.4)	(34.8)
Additions	36.0	72.9	9.7	118.6
Acquisition of subsidiary undertakings	0.2	50.3	–	50.5
Disposals	(21.1)	(43.7)	(0.6)	(65.4)
Transfers	7.3	22.9	(30.2)	–
Cost at 31 December 2002	**576.6**	**664.4**	**12.0**	**1,253.0**
Depreciation at 31 December 2001	114.1	344.0	–	458.1
Currency translation adjustment	(6.6)	(9.4)	–	(16.0)
Provision for impairment (note 2)	–	1.7	–	1.7
Disposals	(8.8)	(42.3)	–	(51.1)
Depreciation for the year	13.8	65.8	–	79.6
Transfers	(5.2)	5.2	–	–
Depreciation at 31 December 2002	**107.3**	**365.0**	**–**	**472.3**
Net book amount at 31 December 2002	**469.3**	**299.4**	**12.0**	**780.7**
Net book amount at 31 December 2001	455.6	235.9	34.5	726.0

(a) Land with a net book amount of £69.3m (2001 – £72.7m) is not depreciated. The net book amount of tangible assets for the Group includes £3.1m (2001 – £3.2m) interest capitalised.

(b) The book amounts for fixtures, fittings, plant and machinery include the following amounts in respect of assets held under finance leases: cost £12.3m (2001 – £6.0m), depreciation £3.4m (2001 – £2.8m), net book amount £8.9m (2001 – £3.2m). The depreciation charge in the year in respect of these assets was £1.8m (2001 – £1.2m).

(c) The impairment charge during the year relates to the write down in carrying value of DVD assets to fair value at Deluxe Media.

	2002 £m	2001 £m
The net book amount of land and buildings comprises:		
Freeholds	**267.4**	261.5
Long leases (over 50 years unexpired)	**27.2**	27.6
Short leases	**174.7**	166.5
	469.3	455.6

11 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Company		
	Shares at cost £m	Provisions £m	Net book amount £m
Balances at 31 December 2001 and 31 December 2002	**2,780.0**	**(1,083.0)**	**1,697.0**

Details of principal subsidiary undertakings are given on page 73.

12 INTERESTS IN JOINT VENTURES (UNLISTED)

	Participating interests £m
Balances at 31 December 2001	16.1
Currency translation adjustment	–
Additions	4.8
Disposals	(10.6)
Transfers to subsidiary undertakings	(4.8)
Share of profits after distributions	(0.1)
Balances at 31 December 2002	**5.4**

The Group's interests in joint ventures at 31 December 2001 comprised BL Rank Properties Limited ("BLRP") and Entertainment Transportation Specialists, Inc. ("ETS"). On 29 August 2002 the Group completed the sale of the properties held by BLRP and received cash proceeds of £16.6m.

At 31 December 2001, the Group owned 50% of the common stock of ETS, a Californian corporation whose principal activity is the management of film studios' inventory of film prints and the physical distribution of release prints and trailers. On 31 December 2002, the Group acquired the remaining 50% of the common stock of ETS. Further details on the acquisition are provided in note 26.

On 10 September 2002, the Group acquired 50% of the ordinary share capital of Atlab Holdings Pty Limited ("Atlab") for a cash consideration of A$13.75m (£4.8m). The remaining share capital is owned by Amalgamated Holdings Limited. The principal activity of Atlab is as an investment holding company. The company holds the investment in the Atlab Group of operating companies whose principal activities are film processing in Australasia.

	2002 £m	2001 £m
Share of retained loss for the period		
Share of profits less losses after taxation	**(0.1)**	1.2
Dividends and distributions receivable by the Group	**–**	(2.4)
Amounts retained attributable to the Group	**(0.1)**	(1.2)

13 INTERESTS IN ASSOCIATED UNDERTAKINGS (UNLISTED)

	Group £m
Balances at 31 December 2001	0.8
Currency translation adjustment	(0.1)
Additions	3.7
Share of profits after distributions	(0.4)
Balances at 31 December 2002	**4.0**

	2002 £m	2001 £m
Share of retained loss for the period		
Share of operating loss	**(0.4)**	–
Provision for impairment	**–**	(0.6)
Amounts retained attributable to the Group	**(0.4)**	(0.6)

The Group's interests in associated undertakings comprise 33⅓% of the common stock of The Lab in Toronto, Inc ("The Lab") and 20% of the equity of EFILM LLC ("EFILM"). The Lab is a film laboratory in Toronto that principally offers developing services to the feature film, television and commercial markets. The equity in EFILM was acquired on 2 July 2002 for a cash consideration of $5.2m (£3.7m). EFILM is a Delaware limited liability corporation whose principal activity is the digital production of film elements necessary for bulk film processing.

14 OTHER INVESTMENTS

	Group £m	Company £m
Balances at 31 December 2001	48.3	2.5
Currency translation adjustment	(4.0)	–
Additions	13.7	7.3
Balances at 31 December 2002	**58.0**	**9.8**

14 OTHER INVESTMENTS CONTINUED

Other investments comprises £22.3m (2001 – £22.4m) in relation to the Group's 10% equity investment in Universal Studios Japan, £23.3m (2001 – £21.1m) in relation to the Group's investment in the Universal Rank Hotel partnership in the US, £2.0m (2001 – £2.3m) in relation to the Group's investment in the Hard Rock hotel partnership in Chicago, £9.8m (2001 – £2.5m) in respect of 3,897,157 (2001 – 1,224,389) ordinary shares in The Rank Group Plc held at cost by the Rank Group Employee Benefit Trust ("the Trust") and £0.6m (2001 – £Nil) in respect of the Group's 10% equity investment in Medal Entertainment & Media plc.

Dividends on the shares held by the Trust have been waived by the trustee with the exception of one penny in total. The Trust may make such investments in the shares of the Company or otherwise as the trustee may determine to provide benefits to any eligible employee. The benefits may be provided in the form of shares, cash or otherwise, although any share related benefit will be provided in accordance with an appropriate employee share scheme or bonus scheme of the Company.

15 STOCKS

	Group	
	2002 £m	2001 £m
Raw materials and consumables	**36.8**	29.0
Work in progress	**2.0**	3.3
Finished goods and goods for resale	**27.1**	28.7
Completed properties for resale	**8.5**	8.4
	74.4	69.4

16 DEBTORS

	Group	
	2002 £m	2001 as restated £m
Amounts falling due within one year		
Trade debtors	**209.5**	150.6
Other debtors	**57.3**	33.9
Assets held for disposal	**1.6**	19.1
Deferred consideration receivable	**–**	10.4
Instalment sale debtors and notes receivable	**3.1**	5.1
Advance contract payments	**68.7**	117.2
Deferred tax asset (note 22)	**37.0**	51.0
Prepayments and accrued income	**34.6**	43.1
	411.8	430.4
Amounts falling due after more than one year		
Other debtors	**11.7**	9.2
Instalment sale debtors and notes receivable	**27.7**	36.7
Advance contract payments	**210.5**	83.6
Deferred tax asset (note 22)	**68.9**	93.5
Prepayments and accrued income	**0.9**	1.3
	319.7	224.3

Further details on the movement in advance contract payments are provided below:

	Group £m
Balance at 31 December 2001	200.8
Currency translation adjustment	(19.2)
Amortisation charge for the year	(75.2)
Additions	172.8
Balance at 31 December 2002	**279.2**

17 CASH, DEPOSITS AND CURRENT ASSET INVESTMENTS

	Group	
	2002 £m	2001 £m
Cash, current accounts and overnight deposits	**81.7**	69.1
Term deposits	**1.5**	48.5
	83.2	117.6
Current asset investments	**24.0**	6.3
Cash, deposits and current asset investments (notes 27, 28)	**107.2**	123.9

Current asset investments comprise amounts invested in cash and fixed deposit funds operated by external fund managers and $25m fixed rate bonds. The investments can be readily converted into cash. The funds are placed with counterparties with strong credit ratings. Cash, deposits and current asset investments are receiving interest at floating rates in their currency of denomination, with 48% of the total being held in sterling, 38% in US dollars, 8% in euros and the balance in a mix of other currencies.

18 LOAN CAPITAL AND BORROWINGS

	Group	
	2002 £m	2001 £m
Bank overdrafts	**10.1**	6.5
Other borrowings repayable:		
Within one year or on demand	**28.7**	1.4
Between one and two years	**140.3**	1.0
Between two and five years	**124.7**	137.8
In five years or more	**202.5**	225.3
	496.2	365.5
Total	**506.3**	372.0
Unsecured	**500.0**	369.4
Obligations under finance leases	**6.3**	2.6
Total	**506.3**	372.0
Amounts due within one year or on demand	**38.8**	7.9
Amounts due after more than one year	**467.5**	364.1
Loan capital and borrowings (notes 27, 28)	**506.3**	372.0

The Group had the following undrawn committed borrowing facilities available at 31 December 2002 and 2001:

	2002 £m	2001 £m
Expiring between one and two years	**113.2**	–
Expiring after more than two years	**–**	250.0
Loan capital and borrowings	**113.2**	250.0

The analysis of other borrowings repayable above includes obligations under finance leases, of which £2.7m (2001 – £1.1m) expire within one year, £3.4m (2001 – £1.0m) expire between one and two years and £0.2m (2001 – £0.5m) expire between two and five years.

Borrowings shown above include:

(a) £125m 7.25% Eurosterling bonds redeemable at par in 2008 (issued 1998);
(b) £124m US$200m 6.75% Yankee bonds redeemable at par in 2004 (issued 1997);
(c) £62m US$100m 6.375% Yankee bonds redeemable at par in 2008 (issued 1998); and
(d) £15m US$24.8m 7.125% Yankee bonds redeemable at par in 2018 (issued 1998).

The funding policy of the Group is to maintain a broad portfolio of debt, diversified by source and maturity, and to maintain committed facilities sufficient to cover seasonal peak anticipated borrowing requirements.

The Company had no borrowings at 31 December 2002 (2001 – £Nil).

18 LOAN CAPITAL AND BORROWINGS CONTINUED

The finance costs of debt instruments are charged to the profit and loss account over the term of the debt at a constant rate on the carrying amount. Such costs include the costs of issue, any discount to face value arising on issue and any premium payable on maturity.

19 FINANCIAL INSTRUMENTS

A description of the policies relating to financial instruments is set out in the operating and financial review on page 31, and also in the accounting policies on page 49. Short term debtors and creditors have been excluded from all the following disclosures other than within the currency risk disclosures.

(a) Interest risk management
Financial liabilities

Some 39% of the Group's loan capital and borrowings is at fixed rates of interest with a weighted average interest rate of 7.0% (2001 – 7.1%) and a weighted average term of 4.3 years (2001 – 5.9 years). At 31 December 2002, the Group's net debt was predominantly denominated in US dollars.

Gross borrowings include loan capital and borrowings of £506.3m (note 18), and the effect of currency and interest rate swaps is to give a total of £767.3m. After taking account of interest rate and currency rate swaps, the currency and interest rate exposure of gross borrowings as at 31 December 2002 was:

			Fixed rate borrowings		
2002	**Gross borrowings £m**	**Floating rate borrowings £m**	**Fixed rate borrowings £m**	**Weighted average interest rate %**	**Weighted average time for which rate is fixed years**
Sterling	**213.9**	**86.3**	**127.6**	**7.3**	**5.2**
US/Canadian dollar	**441.7**	**372.9**	**68.8**	**6.8**	**5.6**
Other currencies (net)	**111.7**	**111.7**	**–**	**–**	**–**
	767.3	**570.9**	**196.4**	**7.0**	**5.3**

			Fixed rate borrowings		
2001	Gross borrowings £m	Floating rate borrowings £m	Fixed rate borrowings £m	Weighted average interest rate %	Weighted average time for which rate is fixed years
Sterling	134.4	6.8	127.6	7.3	6.2
US/Canadian dollar	383.1	296.7	86.4	6.9	5.6
Other currencies (net)	92.8	92.8	–	–	–
	610.3	396.3	214.0	7.1	5.9

Floating rate borrowings incur interest based on relevant LIBOR equivalents.

In addition to the amounts disclosed in the above tables, the following meet the definition of financial liabilities:

– the Group's sterling denominated convertible preference shares of £226.9m (2001 – £227.2m) are fixed rate liabilities with a weighted average interest rate of 8.3% (2001 – 8.3%) and a weighted average period over which the rate is fixed of 4.6 years (2001 – 5.6 years).

– the Group's provisions of £24.8m (2001 – £27.9m) for vacant leasehold properties (note 21) are considered to be floating rate financial liabilities. This is because in establishing the provisions, the cash flows have been discounted using a discount rate which is re-appraised at each half-yearly reporting date to ensure it reflects current market assessments of the time value of money and the risks specific to the liability. £23.0m (2001 – £25.3m) of the balance is denominated in sterling and the remainder are US dollar denominated.

– £Nil (2001 – £17.5m) of the Group's provisions on disposals (note 21).

– £22.3m (2001 – £32.4m) of the Group's contract advances which are payable after more than one year. No interest is payable on these US dollar denominated financial liabilities.

– £26.8m (2001 – £Nil) of deferred consideration payable after more than one year in respect of the acquisition of subsidiary undertakings. £16.2m is US dollar denominated, £6.0m is in sterling with the balance denominated in euros.

19 FINANCIAL INSTRUMENTS CONTINUED

Financial assets

The financial assets shown below include cash, deposits and current asset investments of £107.2m (note 17) and the sterling element of currency rate swaps.

	2002 £m	2001 £m
Sterling	**302.1**	333.3
US/Canadian dollar	**51.6**	5.9
Other currencies	**14.5**	23.0
Cash, investments and other financial assets	**368.2**	362.2

Floating rate cash earns interest based on relevant LIBID equivalents and investments earn interest according to the performance of the funds in which they are invested.

			Fixed rate assets		
2002 – Instalment sale debtors and notes receivable after one year	**Total asset £m**	**Floating rate asset £m**	**Fixed rate asset £m**	**Weighted average interest rate %**	**Weighted average time for which rate is fixed years**
US dollar	**27.7**	**15.6**	**12.1**	**13.6**	**4.6**

			Fixed rate assets		
2001 – Instalment sale debtors and notes receivable after one year	Total asset £m	Floating rate asset £m	Fixed rate asset £m	Weighted average interest rate %	Weighted average time for which rate is fixed years
US dollar	36.7	22.8	13.9	13.8	4.9

Floating rate instalment sale debtors and notes receivable after one year earn interest based on three and five year US treasury bills.

(b) Maturity of financial liabilities

The maturity of loan capital and borrowings is given in note 18 above. The Company's convertible preference shares of £226.9m (2001 – £227.2m) have a final redemption date of 2007.

For other financial liabilities, note 21 gives an indication of the nature of the underlying liabilities in respect of provisions. The maturity profile of these liabilities together with deferred consideration and contract advances is as follows:

	Onerous contracts	Contract advances	Deferred consideration	**2002 £m**	2001 £m
Within one year or on demand	9.0	–	–	**9.0**	22.9
Between one and two years	0.5	9.1	17.6	**27.2**	13.5
Between two and five years	0.4	13.2	6.4	**20.0**	15.5
Over five years	14.9	–	2.8	**17.7**	25.9
	24.8	22.3	26.8	**73.9**	77.8

(c) Exchange risk management

After taking into account the effect of forward exchange contracts, there are no material net monetary assets/liabilities of Group companies denominated in currencies other than the relevant Group company's own functional currency.

The Group operates a prudent hedging policy relating to its cross currency business trading cash flows. Currency exposures are netted by currency and hedged forward for up to five years using forward foreign exchange contracts. At the year end at least 80% of anticipated core currency transaction exposures for the following 12 months had been hedged. The fair value of these hedges is set out in section (d) below.

(d) Fair values

The estimated fair values of the Group's financial assets and financial liabilities at 31 December 2002 and 2001 are set out below. The fair value of quoted borrowings is based on year end mid-market quoted prices. The fair values of other borrowings and the derivative financial instruments are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year end. The fair value of the convertible preference shares is calculated by reference to the open market value at year end.

19 FINANCIAL INSTRUMENTS CONTINUED

Primary financial instruments held or issued to finance the Group's operations:

	Net carrying amount 2002 £m	Fair value 2002 £m	Net carrying amount 2001 £m	Fair value 2001 £m
Short term financial liabilities and current portion of long term borrowings	**(175.6)**	**(175.6)**	(7.9)	(7.9)
Long term borrowings	**(330.7)**	**(338.1)**	(364.1)	(359.6)
Cash at bank and liquid investments	**107.2**	**107.6**	123.9	123.9
Other financial assets	**27.7**	**27.7**	36.7	36.7
Convertible preference shares	**(226.9)**	**(237.7)**	(227.2)	(234.3)
Other financial liabilities	**(73.9)**	**(73.9)**	(77.8)	(77.8)

The difference between net carrying amount and estimated fair value reflects unrealised gains or losses inherent in the instruments based on valuations at 31 December 2002. The volatile nature of the markets means that values at any subsequent date could be significantly different from the values reported above.

Financial derivative instruments

The estimated current value of the foreign exchange forward contracts and interest rate swaps entered into to hedge future transaction flows and on-balance sheet exposures is set out below based on quoted market prices.

	Book value 2002 £m	Current value 2002 £m	Book value 2001 £m	Current value 2001 £m
Interest rate swaps	**–**	**10.5**	–	4.1
Foreign exchange forward rate contracts	**–**	**4.4**	–	(14.9)
Foreign currency swaps	**3.0**	**3.0**	8.1	8.1

(e) Hedges

As explained in the operating and financial review on page 31, the Group's policy is to hedge the following exposures:

– Interest rate risk, using interest and currency swaps; and

– Currency risk, using forward foreign currency contracts for foreign currency receipts and payments. Forward foreign currency contracts are also used for currency exposures on future years' forecasted sales.

The table below shows the extent to which the Group has off-balance sheet (unrecognised) gains and losses in respect of financial instruments used as hedges at the beginning and end of the year. It also shows the amount of such gains and losses which have been included in the profit and loss account for the year and those gains and losses which are expected to be included in next year's or later profit and loss accounts.

All the gains and losses on the hedging instruments are expected to be matched by losses and gains on the hedged transactions or positions.

	Unrecognised		
	Gains £m	Losses £m	Total net gains (losses) £m
Gains and losses on hedges at 1 January 2002	**4.5**	**(15.3)**	**(10.8)**
Arising in previous years included in 2002 income	**(4.5)**	**8.6**	**4.1**
Gains and losses not included in 2002 income:			
Arising before 1 January 2002	**–**	**(6.7)**	**(6.7)**
Arising in 2002 on pre 1 January 2002 contracts	**15.7**	**6.7**	**22.4**
Arising in 2002 on 2002 contracts	**0.1**	**(0.9)**	**(0.8)**
Gains and losses on hedges at 31 December 2002	**15.8**	**(0.9)**	**14.9**
of which:			
Gains and losses expected to be included in 2003 income	**6.9**	**(0.9)**	**6.0**
Gains and losses expected to be included in 2004 income or later	**8.9**	**–**	**8.9**

There are no significant deferred gains or losses on hedge transactions.

19 FINANCIAL INSTRUMENTS CONTINUED

(f) Financial instruments held for trading purposes

The Group does not trade in financial instruments.

(g) Credit risk

The counterparties to the forward exchange contracts and term deposits are major international financial institutions with strong credit ratings. The Group continually monitors its positions and the credit ratings of its counterparties.

20 OTHER CREDITORS

	Group		Company	
	2002 £m	2001 £m	**2002 £m**	2001 £m
Amounts falling due within one year				
Trade creditors	**104.9**	80.9	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**471.8**	371.5
Other creditors	**52.0**	39.4	**–**	–
Other tax and social security	**10.1**	10.8	**–**	–
UK corporation tax and overseas taxation	**25.6**	16.6	**–**	2.4
Deferred consideration	**19.2**	–	**–**	–
Accrued dividends on preference shares	**7.8**	7.8	**7.8**	7.8
Proposed final dividend on ordinary shares	**52.1**	49.7	**52.1**	49.7
Contract advances payable	**20.5**	53.6	**–**	–
Accruals and deferred income	**111.3**	104.9	**3.4**	4.2
	403.5	363.7	**535.1**	435.6
Amounts falling due after more than one year				
Other creditors	**4.0**	7.5	**–**	–
UK corporation tax and overseas taxation	**30.3**	34.4	**–**	–
Deferred consideration	**26.8**	–	**–**	–
Contract advances payable	**22.3**	32.4	**–**	–
Accruals and deferred income	**0.1**	4.9	**–**	–
	83.5	79.2	**–**	–

21 PROVISIONS FOR LIABILITIES AND CHARGES

	Onerous contracts £m	Restructuring costs £m	Provisions on disposals £m	Other £m	Total £m
Group					
Balances at 31 December 2001	27.9	9.1	42.9	7.9	87.8
Currency translation adjustment	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)
Profit and loss account					
– operating charge	0.7	(0.9)	–	5.3	5.1
– non-operating items	–	–	–	(0.2)	(0.2)
Net interest: release of discount	1.3	–	–	–	1.3
Utilised in the year	(5.0)	(5.1)	(31.7)	(0.3)	(42.1)
Balances at 31 December 2002	**24.8**	**3.0**	**11.1**	**12.6**	**51.5**

	Other £m
Company	
Balance at 31 December 2001 and 31 December 2002	2.2

Onerous contracts

The Group is party to a number of leasehold property contracts. Provision has been made against those leases where the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. The provision made in the year includes costs relating to properties which have become surplus to requirements. Further details on the maturity profile of this provision are provided in note 19.

Restructuring costs

The restructuring provisions held at 31 December 2002 relate to provisions established in 2000 and 2001 following the reorganisation of the Deluxe Media businesses in the US and Europe. The remaining provision is expected to be utilised within the next year.

21 PROVISIONS FOR LIABILITIES AND CHARGES CONTINUED

Provisions on disposals

This provision was established in 2000 following the disposal of Nightscene, Odeon Cinemas, Pinewood Studios, Tom Cobleigh and UK Holidays. The provision remaining at 31 December 2002 relates to outstanding insurance claims and potential warranty claims as described in the sales contracts. Utilisation of these provisions is likely to vary over the next few years.

Other provisions

Provisions include amounts relating to the Rank Group 2000 Long Term Incentive Plan which provides for executive directors and selected executives to be given restricted awards over existing ordinary shares with a market value of up to one times base salary. These awards will vest in 2003 and 2004, subject to satisfaction of applicable performance conditions.

22 DEFERRED TAX

The analysis of the deferred tax asset included in the financial statements at the end of the year is as follows:

	Group	
	2002 **£m**	2001 (as restated) £m
Accelerated capital allowances	**15.4**	19.6
Other UK timing differences	**(1.2)**	(0.8)
Tax losses carried forward	**72.1**	99.5
Other overseas timing differences	**19.6**	26.2
	105.9	144.5

The movement in the deferred tax asset is provided below:

	Group £m
Balance at 31 December 2001 (as restated – see note 5c)	144.5
Currency translation adjustment	(10.4)
Charge to the profit and loss account (see note 5a)	(28.2)
Balance at 31 December 2002	**105.9**

The Group has provided for a deferred tax asset in respect of tax losses carried forward because it believes that there will be future taxable profits against which the underlying differences will reverse.

23 CAPITAL AND RESERVES

	2002				2001			
	Authorised		**Issued and fully paid**		Authorised		Issued and fully paid	
	Number m	**Nominal value £m**	**Number m**	**Nominal value £m**	Number m	Nominal value £m	Number m	Nominal value £m
US$ cumulative preference shares	**–**	**3**	**–**	**–**	–	3	–	–
Convertible preference shares of 20p each	**300**	**60**	**226.9**	**45.4**	300	60	227.2	45.4
Ordinary shares of 10p each	**1,200**	**120**	**594.1**	**59.4**	1,200	120	591.9	59.2
		183		**104.8**		183		104.6

Under the share savings schemes operated by the Company employees hold options to subscribe for up to 6,114,307 (2001 – 6,278,287) ordinary shares at prices between 141p and 271.58p per share exercisable by 30 November 2007.

Under the executive share option schemes operated by the Company, directors and executives hold options to subscribe for up to 13,878,632 (2001 – 13,073,455) ordinary shares at prices ranging between 155.25p and 475.76p per share exercisable over the period up to 17 September 2012.

Options granted pursuant to share savings schemes are issued at a discount to the prevailing market price. Under the provisions of UITF 17 (Revised) no provision is required for the difference between market price and exercise price.

Options granted under the share savings schemes are exercisable normally within a period of six months after the third or fifth anniversary of the related savings contract. Options granted under the executive share option schemes are exercisable normally within a period commencing on the third anniversary and ending on the tenth anniversary of the date of grant.

23 CAPITAL AND RESERVES CONTINUED

On 6 June 2002, 64,852 ordinary shares were issued by virtue of the conversion of 239,026 convertible preference shares ("Preference shares"); a further 2,235,708 ordinary shares were issued during the year on the exercise of options.

Non-equity shareholders' funds relate entirely to the Preference shares. These shares carry an entitlement to a dividend at the rate of 8.25p (net) per share per annum. They are convertible in any of the years up to 2003 into ordinary shares of 10p each at a rate equivalent to 27.132 ordinary shares for every 100 Preference shares and may be redeemed at £1 per share at any time after 30 June 2003 at the option of the Company and, in any event, will be redeemed at £1 per share on 31 July 2007. Holders of the Preference shares have one vote for every five shares held but only on a resolution for the winding-up of the Company or on a resolution affecting the rights attached to the shares or if the Preference dividend has remained unpaid for six months. Holders of Preference shares have the right on a winding-up to receive in priority to any other class of shares the sum of £1 per share together with any arrears of dividend.

	£m
Share premium account	
Balance at 31 December 2001	8.5
Movement on issue of shares	5.1
Balance at 31 December 2002	**13.6**

	£m
Capital redemption reserve	
Balances at 31 December 2001 and 31 December 2002	**24.8**

	Company and its subsidiaries			
Other reserves	Preference redemption £m	Other £m	Associated undertakings £m	Group £m
Group				
Balances at 31 December 2001 – as restated	11.4	581.1	(1.7)	590.8
Currency translation adjustment	–	(27.0)	–	(27.0)
Surplus on profit and loss account for the year	–	37.5	–	37.5
Provision for redemption premium	2.2	–	–	2.2
Movements on share options	–	(0.7)	–	(0.7)
Realisation of goodwill on disposals	–	2.6	–	2.6
Balances at 31 December 2002	**13.6**	**593.5**	**(1.7)**	**605.4**

Of the £27.0m loss on other net currency translation adjustments, a gain of £28.8m arises from the translation of foreign currency borrowings less deposits. The total cumulative goodwill eliminated against reserves at 31 December 2002 amounted to £957.0m (2001 – £1,024.1m).

Other reserves	Preference redemption £m	Other £m	Total £m
Company			
Balances at 31 December 2001	11.4	1,112.4	1,123.8
Deficit on profit and loss account for the year	–	(99.0)	(99.0)
Provision for redemption premium	2.2	–	2.2
Movements on share options	–	(0.7)	(0.7)
Balances at 31 December 2002	**13.6**	**1,012.7**	**1,026.3**

24 ANALYSIS OF MINORITY INTERESTS

	Equity total £m
Balances at 31 December 2001	15.2
Currency translation adjustment	(2.0)
Minority interest in the profit on ordinary activities after tax	2.1
Additions	6.9
Distributions to minority interests	(2.1)
Balances at 31 December 2002	**20.1**

Additions during the year relate to the 20% interest in Deluxe Global Media Services LLC held by Ritek Corporation.

25 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2002 £m	2001 £m
Operating profit	**213.4**	172.2
Exceptional charges	**6.2**	37.5
Cash payments in respect of exceptional costs and provisions	**(15.8)**	(27.4)
Depreciation and amortisation	**80.6**	81.1
Increase in stocks	**(9.0)**	(3.1)
Increase in debtors	**(212.8)**	(15.3)
Increase in creditors	**48.7**	27.8
Other items	**(4.0)**	(6.4)
Net cash inflow from operating activities	**107.3**	266.4

26 ACQUISITION OF SUBSIDIARY UNDERTAKINGS

	Ritek venture £m	Other acquisitions £m	Total 2002 £m
Tangible fixed assets	**29.0**	**21.5**	**50.5**
Net current (liabilities) assets (excluding cash)	**(4.9)**	**2.9**	**(2.0)**
Cash acquired	**–**	**3.4**	**3.4**
Borrowings acquired	**(3.6)**	**(2.9)**	**(6.5)**
Lease obligations acquired	**(3.3)**	**(1.1)**	**(4.4)**
	17.2	**23.8**	**41.0**
Less minority interests	**(6.9)**	**–**	**(6.9)**
Net assets acquired	**10.3**	**23.8**	**34.1**
Goodwill	**23.5**	**27.1**	**50.6**
Consideration	**33.8**	**50.9**	**84.7**
Satisfied by:			
Cash paid	**14.2**	**24.5**	**38.7**
Deferred consideration	**19.6**	**26.4**	**46.0**
	33.8	**50.9**	**84.7**

Significant acquisitions in 2002 are as follows:

Ritek venture
On 19 July 2002, the Group acquired 80% of the issued share capital of Deluxe Global Media Services LLC ("DGMS"). The remaining 20% is owned by Ritek Corporation, a manufacturer of optical discs. Total consideration for the acquisition was £33.8m, of which £19.6m is deferred. Of the unconditional deferred consideration of £19.6m, £9.8m was paid on 3 January 2003 with the final instalment of £9.8m due on 1 January 2004. No information is available in respect of the book values of assets and liabilities contributed by Ritek Corporation to DGMS and accordingly book values have not been disclosed. Pre-acquisition results of the acquired business are not material.

Other acquisitions
During 2002, three new bingo clubs were acquired in Madrid, Barcelona and Seville in Spain for a total consideration of £16.7m of which £5.8m is deferred. The deferred consideration is payable in instalments between 2003 and 2006.

On 21 February 2002 the Group acquired Vision Entertainment Inc for a cash consideration of £3.2m.

On 8 November 2002, the Group acquired 100% of the net assets of Capital FX Holdings Limited, a laser sub-titling and digital effects company in the UK. Total consideration was £9.6m, of which £6.0m is deferred. £3.5m of the deferred consideration is contingent upon achieving pre-defined earnings targets in the five calendar years from 2004 to 2008. The remainder is payable in instalments from 1 March 2004 to 1 March 2008.

On 29 November 2002, the Group acquired 95% of the net assets of Image SA, a film laboratory in Barcelona, Spain. Total consideration was £6.7m, of which £0.4m is deferred.

On 31 December 2002, the Group acquired the remaining 50% of the common stock of Entertainment Transportation Specialists, Inc ("ETS"). All £14.2m consideration for ETS is deferred. Of the deferred consideration £1.6m is contingent upon achieving pre-defined earnings targets in the three calendar years from 2004 to 2006. The remainder is payable in instalments between 2003 and 2007. £7.4m was paid in January 2003.

26 ACQUISITION OF SUBSIDIARY UNDERTAKINGS CONTINUED

Prior to becoming a subsidiary, ETS was accounted for as a joint venture. In accordance with FRS 2 and in order to give a true and fair view, purchased goodwill has been calculated as the sum of the goodwill arising on each purchase of the identifiable assets and liabilities attributable to the interest purchased. This represents a departure from the statutory method, under which goodwill is calculated as the difference between cost and fair value on the date that ETS became a subsidiary. The statutory method would not give a true and fair view because it would result in the Group's share of ETS's retained reserves, during the period that it was an associate, being characterised as goodwill. The effect of this departure is to increase retained profit by £2.4m and to increase purchased goodwill charged to intangible assets by £2.4m.

There is no material difference between the book value and fair value of other acquisitions.

27 RECONCILIATION TO NET DEBT

	2002 £m	2001 £m
Decrease in cash in the year	**(29.0)**	(43.8)
(Increase) decrease in debt and lease financing	**(159.7)**	117.3
Movement in liquid resources (a)	**18.8**	(5.4)
Decrease in net debt from cash flows	**(169.9)**	68.1
New finance leases	**–**	(1.4)
Borrowings and leases acquired with subsidiaries	**(10.9)**	–
Gain on repayment of fixed rate debt	**1.0**	7.7
Currency translation adjustment	**28.8**	(2.6)
(Increase) decrease in net debt in year	**(151.0)**	71.8
Net debt at 1 January	**(248.1)**	(319.9)
Net debt at 31 December	**(399.1)**	(248.1)
Cash, deposits and current asset investments (note 17)	**107.2**	123.9
Loan capital and borrowings (note 18)	**(506.3)**	(372.0)
Net debt at 31 December	**(399.1)**	(248.1)

(a) The movement in liquid resources consisted of purchases of deposits and investments of £25.1m (2001 – £6.3m) and sales of £6.3m (2001 – £11.7m).

28 ANALYSIS OF NET DEBT

	31 December 2001 £m	Cash flow £m	Acquisitions (excluding cash) £m	Other non-cash changes £m	Currency translation adjustment £m	**31 December 2002 £m**
Cash in hand and at bank	117.6	(25.4)	–	–	(9.0)	**83.2**
Overdrafts	(6.5)	(3.6)	–	–	–	**(10.1)**
		(29.0)				**73.1**
Debt due after one year	(362.7)	(134.4)	(6.5)	1.0	38.7	**(463.9)**
Debt due within one year	(0.2)	(25.8)		–	–	**(26.0)**
Finance leases	(2.6)	0.5	(4.4)	–	0.2	**(6.3)**
		(159.7)				**(496.2)**
Liquid resources	6.3	18.8	–	–	(1.1)	**24.0**
Total	(248.1)	(169.9)	(10.9)	1.0	28.8	**(399.1)**

Liquid resources comprise current asset investments which, as described in note 17, represent amounts readily convertible into cash.

Other non-cash changes comprise the gain on repayment of fixed rate debt.

29 DIRECTORS

(a) Directors' interests

The directors' interests in shares or stocks of the Company, including options to purchase ordinary shares under the terms of the Group's executive share option scheme and share savings scheme, and conditional awards under the long term incentive plan, are detailed in the remuneration report. Details of options to subscribe for ordinary shares of the Company granted to or exercised by directors, or which lapsed, in the year ended 31 December 2002 are also detailed in the remuneration report.

(b) Total emoluments of the directors of The Rank Group Plc

	2002 £000	2001 £000
Fees	**95**	110
Base salaries, allowances and taxable benefits	**1,043**	1,087
Bonuses	**407**	541
Salary supplements	**60**	54
Aggregate emoluments	**1,605**	1,792
Pension contributions – defined contributions	**238**	238
Compensation for loss of office – Jerry Fowden (including contribution to unapproved retirement benefit scheme – £166,000)	**–**	751
Total emoluments	**1,843**	2,781
(c) Emoluments of Chairman	**160**	107
(d) Emoluments of highest paid director*	**1,058**	1,103

(e) Company policy on the remuneration of directors and details of the remuneration of each director are set out in the remuneration report on pages 34 to 39.

*Including Company contributions to defined contribution pension arrangements.

30 EMPLOYEES

Employee costs	**2002 £m**	2001 £m
Wages and salaries	**322.5**	303.3
Social security costs	**28.7**	25.7
Other pension costs	**6.3**	7.9
	357.5	336.9

Average number of employees by geographical area	**2002**	2001
UK	**10,628**	10,560
North America	**8,772**	8,190
Rest of the World	**2,462**	2,205
	21,862	20,955

The Group has continued to account for pensions in accordance with SSAP 24 and the disclosures given in (a) below are those required by that standard. FRS 17 "Retirement Benefits" was issued in November 2000 but will not require full implementation for the Group and Company until the year ended 31 December 2005. Prior to this, phased transitional disclosures are required from 31 December 2001. The disclosures required are presented in (b) below.

(a) Provision for pension and similar obligations

UK The Group has two pension schemes for UK employees, both of which are contracted out of the State Second Pension arrangements. The schemes are externally funded under separate trusts and the funds' assets are held separately from Group assets. The accounts of both schemes for the year ended 5 April 2002 have been reported upon by their auditors without qualification.

The Rank Pension Plan ("the Plan") is a defined benefit scheme with pensions fixed by reference to final pay and length of service. The market value of the Plan's assets at 5 April 2002 was £575.2m (2001 – £589.9m).

Formal actuarial valuations of the Plan are carried out at least triennially by an independent actuary, Mercer Human Resource Consulting Limited. The most recent valuation has an effective date of 5 April 2001 and has been used to determine the pension charge for the year to 31 December 2002.

30 EMPLOYEES CONTINUED

The main actuarial assumptions adopted were:

Valuation method	attained age
Rate of return on investments	
– pre retirement	6.25% p.a
– post retirement	5.25% p.a
Rate of increase of pensionable remuneration	3.75% p.a
Rate of discretionary pension increases	1.50% p.a
Rate of pensions in payment increases*	2.50% p.a

*Pensions in payment are entitled to increases in line with price inflation subject to a maximum of 5% per annum.

In prior years, the Plan has been valued under the projected unit method. Following the closure of the Plan to new entrants, the attained age valuation method has been adopted since 2001.

Assets were taken at their market value. As at the actuarial valuation date the value of the assets was sufficient to cover 109% of the accrued benefits allowing for expected future increases in earnings.

The pension charge for the year to 31 December 2002 was £0.6m (2001 – £1.9m). The charge was determined after recognising a credit of £4.9m resulting from spreading the expensing surplus of £36.5m as at 1 January 2001 over the average remaining service lives of the active members of the Plan.

The decline in stock market values since the actuarial valuation of the Plan on 5 April 2001 and the increase in accrued liabilities as a result of changes in financial conditions have resulted in a deficit in the fund at 31 December 2002, calculated in accordance with the requirements of FRS 17. Under current accounting policies these matters are not required to be reflected in the pension charge until the next formal actuarial valuation, which will take place no later than 5 April 2004.

At 31 December 2002 there was a prepayment in debtors of £15.1m (2001 – £11.0m) resulting from the difference between pension costs charged in the accounts and the amounts funded to date.

The Rank Money Purchase Pension Scheme is a defined contribution scheme with benefits which depend on the contribution levels and the emerging investment performance. The market value of its assets at 5 April 2002 was £35.4m (2001 – £37.8m). Group contributions to this scheme in the year to 31 December 2002 totalled £1.3m (2001 – £0.9m).

US The Group operates defined contribution schemes in the US. Group contributions to these schemes totalled £3.9m (2001 – £3.3m).

(b) FRS 17 "Retirement Benefits"

The Group has continued to adopt FRS 17 "Retirement Benefits" under the phased transitional arrangements allowed by the standard. The disclosures below relate to all retirement benefit plans in the UK.

A full actuarial valuation was carried out at 5 April 2001 and updated by an independent actuary to 31 December 2002.

The main actuarial assumptions used to calculate the Plan's liabilities under FRS 17 are:

	2002	2001
Valuation method	**projected unit**	projected unit
Discount rate	**5.50%**	6.00%
Inflation assumption	**2.25%**	2.50%
Rate of increase in salaries	**3.50%**	3.75%
Rate of increase of deferred pensions	**2.25%**	2.50%
Rate of increase of pensions in payment increases (5% LPI increases)	**2.25%**	2.50%

The assets in the Plan and the expected rate of return were:

	Long term rate of return expected at 31 December 2002	**Value at 31 December 2002 £m**	Long term rate of return expected at 31 December 2001	Value at 31 December 2001 £m
Equities	**7.0%**	**280.0**	7.5%	361.5
Government bonds	**4.5%**	**90.0**	5.0%	106.0
Non-government bonds	**5.5%**	**66.4**	6.0%	71.6
Insurance policies	**5.5%**	**13.3**	6.0%	15.4
Cash	**4.0%**	**16.0**	4.0%	11.0
Total market value of assets		**465.7**		565.5

30 EMPLOYEES CONTINUED

The following amounts at 31 December 2002 and 31 December 2001 were measured in accordance with the requirements of FRS 17.

	2002 £m	2001 £m
Total market value of assets	**465.7**	565.5
Actuarial value of defined benefit liabilities	**(556.6)**	(528.6)
(Deficit) surplus in the Plan	**(90.9)**	36.9
Related deferred tax asset (liability)	**27.3**	(11.1)
Net pension (liability) asset	**(63.6)**	25.8

If FRS 17 had been adopted in the accounts, the Group's net assets and profit and loss reserve at 31 December 2002 and 31 December 2001 would have been as follows:

	2002 £m	2001 (as restated) £m
Net assets		
Net assets excluding pension asset	**753.6**	732.9
Pension (liability) asset	**(63.6)**	25.8
Net assets including pension (liability) asset	**690.0**	758.7

	2002 £m	2001 (as restated) £m
Reserves		
Profit and loss reserve excluding pension assets	**578.4**	570.1
Pension reserve	**(63.6)**	25.8
Profit and loss reserve	**514.8**	595.9

The Plan is closed to new entrants. Under the projected unit method, the current service cost will increase as the members of the Plan approach retirement.

The following amounts would have been recognised in the performance statements in the year to 31 December 2002 under the requirements of FRS 17:

	2002 £m
Operating profit	
Current service cost	**5.0**
Past service cost	**–**
Total operating charge	**5.0**
Other finance income	
Expected return on Plan assets	**37.5**
Interest on Plan liabilities	**(31.3)**
Net return	**6.2**
Statement of total recognised gains and losses	
Actual return less expected return on Plan assets	**(122.4)**
Experience gains and losses arising on Plan liabilities	**17.5**
Changes in assumptions underlying the present value of Plan liabilities	**(28.6)**
Actuarial loss recognised	**(133.5)**

30 EMPLOYEES CONTINUED

	2002 £m
Movement in (deficit) surplus during the year	
Surplus in Plan at beginning of the year	**36.9**
Movement in year:	
Current service cost	**(5.0)**
Contributions	**4.5**
Past service costs	**–**
Other finance income	**6.2**
Actuarial loss	**(133.5)**
Deficit in Plan at end of the year	**(90.9)**

	2002
Details of experience gains and losses for the year to 31 December 2002	
Difference between the expected and actual return on Plan assets:	
Amount (£m)	**(122.4)**
Percentage of Plan assets	**26%**
Experience gains and losses on Plan liabilities:	
Amount (£m)	**17.5**
Percentage of the present value of Plan liabilities	**3%**
Total amount recognised in statement of total recognised gains and losses:	
Amount (£m)	**(133.5)**
Percentage of the present value of Plan liabilities	**24%**

31 CONTINGENT LIABILITIES

	2002 £m	2001 £m
Group		
Guarantees by the Company and by subsidiary undertakings	**38.9**	50.6

The Group is involved in a dispute with Serena Holdings Limited over the purchase consideration of an acquisition which has been referred to an expert for determination. The dispute centres upon the parties' contentions in relation to the accounts and the profits of the businesses based upon which an additional purchase consideration may be payable. The directors are strongly resisting the payment of any further sum. At the present time the outcome to the Group cannot be determined and the potential liability cannot be quantified. However, it is the opinion of the directors that it is unlikely that the outcome of this dispute will have a material effect on the Group's financial position.

Subsidiary undertakings are involved in actions, including class action suits, in the US. These actions are being vigorously contested and the directors believe that none of these actions will result in a material adverse effect on the financial condition of the Group. Additional information required to be disclosed by FRS 12 "Provisions, Contingent Liabilities and Contingent Assets" is not disclosed on the grounds that it can be expected to prejudice the outcome of these matters.

	2002 £m	2001 £m
Company		
Guarantees of advances to subsidiary undertakings	**901.4**	807.6

No security has been given in respect of any contingent liability.

32 COMMITMENTS

Future capital expenditure

At 31 December 2002 commitments for capital expenditure amounted to £24.1m (2001 – £18.3m) for the Group.

Group operating lease commitments

At 31 December 2002 commitments to make payments under operating leases in the following 12 months were:

	Land and buildings		Plant and machinery	
	2002 £m	2001 £m	**2002 £m**	2001 £m
Leases expiring in one year	**3.3**	3.3	**0.2**	0.1
Leases expiring in two to five years	**5.7**	15.3	**14.3**	8.8
Leases expiring in more than five years	**47.4**	32.2	**–**	–
	56.4	50.8	**14.5**	8.9

33 RELATED PARTY TRANSACTIONS

On 19 July 2002 the Group purchased a controlling interest in Deluxe Global Media Services LLC ("DGMS"), further details are provided in note 26. Group sales to DGMS were £4.0m and at 31 December 2002, DGMS owed the Group £6.2m.

On 10 September 2002 the Group purchased a 50% interest in Atlab Holdings Pty Limited ("Atlab"), further details are provided in note 12. Group sales to Atlab were £1.7m, purchases were £16.6m in the period after acquisition. At 31 December 2002 the joint venture owed the Group £1.2m.

On 31 December 2002 the Group purchased the remaining 50% of the common stock of Entertainment Transportation Specialists, Inc ("ETS"), further details are provided in note 12. During the year the Group charged ETS a marketing fee of £0.3m.

During the year the Group traded with its associate undertakings, The Lab and EFILM. Group sales to these associate undertakings totalled £0.9m, purchases totalled £0.1m, marketing fees totalled £0.2m and at 31 December 2002 these associates owed the Group £0.3m.

During the year the Group traded with its joint venture investment BL Rank Properties Limited ("BLRP"). £4.4m of rental payments to BLRP were made in the year.

The British Land joint venture ended with the disposal of all its remaining properties on 29 August 2002 for cash proceeds of £109m and net cash proceeds, after financing, for the Group of £16.6m.

The Group recharges the Rank Group UK Pension schemes with the costs of administration and independent pension advisers borne by the Group. The total amount recharged in the year ended 31 December 2002 was £1.6m (2001 – £1.5m).

34 POST BALANCE SHEET EVENT

On 27 January 2003 the Group completed its acquisition of Blue Square Limited, one of the UK's leading internet and telephone betting businesses, for a consideration of £65m in unlisted, unsecured convertible loan stock, convertible into Rank ordinary shares at the rate of 282p for every £1 of loan stock held. Full conversion of the loan stock would result in the issue of 23 million new Rank ordinary shares. In the 12 months to December 2002 Blue Square received total stakes of £202.0m and generated gross win of £13.4m. The Group intends to combine its current internet operations with those of Blue Square – any costs or adjustments to asset carrying values associated with this integration which may arise as a result of this integration will be included in the accounts for the year ending 31 December 2003. The transaction is not considered material to the Group and accordingly no pro forma statement of net assets of the enlarged Group has been included in this note.

PRINCIPAL SUBSIDIARY UNDERTAKINGS

Except where otherwise stated, The Rank Group Plc ("Rank") owns directly or indirectly 100% of the ordinary share capital and voting rights of the following companies. The companies are incorporated in Great Britain unless otherwise indicated after the company name. The principal operations are carried out in the country of registration.

Gaming	Principal activities
Grosvenor Casinos Limited	London and provincial casinos
Mecca Bingo Limited	Social and bingo clubs
Rank Leisure Machine Services Limited	Amusement machine hire and sales
Rank Group Gaming Division Limited	Owns the Group's investments in Gaming division companies
Hard Rock	
Hard Rock Cafe International (USA) Inc. (US)	Operates and franchises Hard Rock Cafes
Hard Rock International Limited	Operates and franchises Hard Rock Cafes
Hard Rock Canada Inc. (Canada)	Operates and franchises Hard Rock Cafes
Deluxe	
Deluxe Laboratories Limited	Film processing laboratory
Deluxe Laboratories Inc. (US)	Film processing laboratory
Deluxe Toronto Limited (Canada)	Film processing laboratory
Deluxe Media Services Inc. (US)	Video duplication and distribution
Deluxe Global Media Services LLC (US) – (Rank owns 80% of the issued shares)	DVD replication
Holding & other companies	
Rank America Inc. (US)	Owns the Group's investments in the US
Rank Group Finance Plc*	Funding operations for the Group
Rank Leisure Holdings Plc*	Owns the Group's investments in the UK operating subsidiary undertakings, Rank Overseas Holdings Limited and BL Rank Properties Ltd
Rank Overseas Holdings Limited	Owns the Group's investment in Rank Holdings (Netherlands) BV and Rank America Inc.

*directly held by the Company.

FIVE YEAR REVIEW

YEAR ENDED 31 DECEMBER

	2002 £m	2001 (as restated) £m	2000 (as restated) £m	1999 (as restated) £m	1998 (as restated) £m
Turnover					
Current operations (including acquisitions)	**1,465**	1,367	1,404	1,330	1,334
Former operations	**–**	–	389	711	723
	1,465	1,367	1,793	2,041	2,057
Operating profit before exceptional items					
Current operations (including acquisitions)	**220**	210	203	196	178
Former operations	**–**	–	60	111	96
	220	210	263	307	274
Exceptional items charged against operating profit	**(6)**	(38)	(44)	(98)	(99)
Non-operating items (including share of associates)	**4**	9	(450)	32	(207)
Universal Studios Escape before exceptional items	**–**	–	(11)	(2)	22
Universal Studios Escape exceptional items	**–**	–	(1)	(46)	(24)
Other associates and joint ventures	**3**	3	(11)	2	1
Interest (net)	**(23)**	(24)	(87)	(87)	(50)
Profit (loss) before tax	**198**	160	(341)	108	(83)
Tax	**(59)**	(67)	173	(43)	(71)
Minority interests	**(2)**	(2)	(3)	(2)	(3)
Preference dividends	**(21)**	(21)	(21)	(21)	(21)
Earnings (loss)	**116**	70	(192)	42	(178)
Basic earnings (loss) per ordinary share	**19.6p**	11.9p	(27.6)p	5.4p	(23.3)p
Basic earnings per ordinary share before exceptional items	**19.9p**	16.5p	38.7p	19.3p	19.9p
Total dividend per ordinary share	**13.2p**	12.6p	12.0p	12.0p	18.5p

YEAR ENDED 31 DECEMBER

	2002 £m	2001 (as restated) £m	2000 (as restated) £m	1999 (as restated) £m	1998 (as restated) £m
Group funds employed					
Fixed assets	**833**	733	780	1,938	1,872
Investments	**67**	65	56	390	348
Other assets (net)	**268**	194	231	59	110
Total funds employed at year end	**1,168**	992	1,067	2,387	2,330
Financed by					
Ordinary share capital and reserves	**522**	505	509	991	1,043
Preference share capital including premium	**227**	224	222	220	218
Minority interests	**20**	15	16	14	12
	769	744	747	1,225	1,273
Net debt	**399**	248	320	1,162	1,057
	1,168	992	1,067	2,387	2,330
Average number of employees (000's)	**20.9**	21.0	37.1	43.1	45.6

SHAREHOLDER INFORMATION

A wide range of shareholder information is available in the Investor Relations area of the Rank Group website: www.rank.com.

Ordinary shares
The total number of ordinary shares in issue as at 31 December 2002 was 594,129,683 shares which were held by a total of 31,854 shareholders.

Convertible preference shares
The total number of convertible preference shares in issue as at 31 December 2002 was 226,933,685 shares which were held by a total of 13,543 shareholders.

American Depositary Receipts (ADRs)
The Company's ordinary shares are traded on NASDAQ in the form of american depositary shares, evidenced by ADRs and traded under the symbol "RANKY". Each american depositary share represents two ordinary shares. The total number of american depositary shares in issue as at 31 December 2002 was 2,357,856 (representing 4,715,712 ordinary shares) which were held by a total of 2,617 ADR holders.

J P Morgan Chase Bank is the depositary bank. All enquiries regarding ADR holder accounts and payment of dividends should be directed to J P Morgan ADR Service Center, PO Box 43013, Providence, RI 02940-3013 (Tel: 1-800-428-4237 (toll-free in the US) or +1-781-575-4328 (from outside the US)). Information can also be obtained online by visiting www.adr.com.

Share price information
The latest information on the Rank ordinary share price is available in the Investor Relations area of www.rank.com. Information is also available on Ceefax and on the Financial Times Cityline Service: tel: 0906 003 3771 (calls charged at 60p per minute).

Capital gains tax
For the purpose of calculating UK capital gains tax on a disposal of ordinary shares in the Company held since 31 March 1982 (including shares held in the predecessor company, The Rank Organisation Plc), the price of the Company's ordinary shares at that date was 190p per share. This price should be adjusted for the effects of the rights issue in January 1990, the enhanced share alternative in November 1993, the sub-division and consolidation of shares in March 1994 and the enhanced scrip dividend in March 1998.

Share dealing service
Hoare Govett Limited has established a low-cost share dealing service which enables investors to buy or sell certificated shareholdings in the Company in a simple, economic manner. Basic commission is 1%, with a minimum charge of £10. Transactions are executed and settled by Pershing Securities Limited. Forms can be obtained from Hoare Govett, 250 Bishopsgate, London EC2M 4AA (Tel: 020 7678 8300).

Form 20-F
The Company is subject to the regulations of the Securities and Exchange Commission ("SEC") in the US as they apply to foreign companies. The Company will file its annual report on Form 20-F with the SEC. Copies of the directors' report and accounts and Form 20-F can be obtained in the US by contacting J P Morgan Chase Bank at the address quoted above.

Registrar
All enquiries relating to ordinary and convertible preference shareholders, dividends and changes of address should be addressed to the Company's registrar (quoting reference number 1235), Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA (Tel: 0870 600 3953). There is a text phone available on 0870 600 3950 for shareholders with hearing difficulties.

www.shareview.co.uk
The Shareview Portfolio service from the Company's registrar gives shareholders more control of their Rank shares and other investments including:
- direct access to data held for them on the share register including recent share movements and dividend details;
- a recent valuation of their portfolio;
- a range of information and practical help for shareholders.

It is easy and free to set up a portfolio – shareholders will just need the shareholder reference printed on their proxy form or dividend stationery. Visit the website for more details: www.shareview.co.uk.

Payment of dividends
Shareholders whose dividends are not currently paid to mandated accounts may wish to consider this method of payment, which has a number of advantages: dividends are paid direct into the shareholder's nominated account, cleared funds are provided on the payment date, and the relevant tax voucher is sent to the shareholder's registered address.

If shareholders would like future dividends paid in this way, they should contact the registrar for a dividend mandate form. A mandate form will also be attached to the next dividend cheque.

ShareGift
Shareholders with a small number of shares, the value of which makes it uneconomical to sell, may wish to consider donating them to charity through ShareGift, a registered charity administered by The Orr Mackintosh Foundation. Share transfer forms are available from the registrars.

Further information about ShareGift is available at www.sharegift.org or by writing to:
ShareGift
The Orr Mackintosh Foundation
24 Grosvenor Gardens
London SW1W 0DH
Tel: 020 7337 0501

For further information please contact:
Charles Cormick, Company Secretary
Peter Reynolds, Director of Investor Relations
The Rank Group Plc
6 Connaught Place
London W2 2EZ
www.rank.com
Tel: 020 7706 1111

SUMMARY NOTICE OF ANNUAL GENERAL MEETING

Summary of business to be transacted at the 2003 annual general meeting

The full text of the notice of the meeting, together with explanatory notes, is set out in a separate document which is enclosed with this report and accounts.

The annual general meeting of the Company will be held at the Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8JB at 11.30am on Tuesday 6 May 2003.

Business to be transacted at the annual general meeting

1 To receive the report and accounts for the year ended 31 December 2002.

2 To approve the remuneration report for the year ended 31 December 2002.

3 To declare a final dividend.

4 To re-appoint John Sunderland as director.

5 To re-appoint Ian Dyson as director.

6 To re-appoint PricewaterhouseCoopers LLP as auditors and to authorise the directors to agree their fee.

7 To amend the articles of association to increase the Company's borrowing powers.

8 To authorise the directors to allot ordinary shares.

9 To disapply pre-emption rights.

10 To authorise the Company to make market purchases of its ordinary shares.

11 To authorise the Company to make market purchases of its convertible preference shares.

12 To authorise the directors to declare scrip dividends.

Proxy forms for use in connection with the business to be transacted at the annual general meeting are enclosed with this report and accounts.

2003 FINANCIAL CALENDAR

31 January
Dividend payment on convertible preference shares

6 May
Annual general meeting

9 May
Final dividend payment on ordinary shares

31 July
Dividend payment on convertible preference shares

5 September
Interim results announcement

17 October
Interim dividend payment on ordinary shares